Notes to Condensed Consolidated Financial Statements (unaudited)

of the solicitation, unless and until total borrower relief provided exceeds $250 million . As of March 31, 2012, no loan modifications have been completed. However, we are currently in the process of soliciting eligible borrowers and expect modifications to begin in the second quarter of 2012.

The Settlement provides incentives for borrower relief that is provided within the first twelve months, and all obligations must be met within three years from the date the consent judgment was filed. In addition to the foregoing, we are required to implement new servicing standards relating to matters such as foreclosure and bankruptcy information and documentation, oversight, loss mitigation, limitations on fees, and related procedural matters. Certain mortgage companies (Mortgage Companies) expect to implement the new servicing standards by the October 5, 2012 deadline. Compliance with these obligations are overseen by an independent monitor, who has authority to impose additional penalties and fines if we fail to meet established timelines or fail to implement required servicing standards.

The Settlement generally resolves potential claims arising out of origination and servicing activities and foreclosure matters, subject to certain exceptions. The Settlement does not prevent state and federal authorities from pursuing criminal enforcement actions, securities-related claims (including actions related to securitization activities and Mortgage Electronic Registration Systems, or MERS), loan origination claims, certain claims brought by the FDIC and the GSEs, and certain other matters. The Settlement also does not prevent claims that may be brought by individual borrowers.

Federal Reserve Board Civil Money Penalty

On February 9, 2012, we agreed with the Federal Reserve Board on a civil money penalty (CMP) of $207 million related to the same activities that were the subject of the Settlement. This amount will be reduced dollar-for-dollar in connection with certain aspects of our satisfaction of the required monetary payment and borrower relief obligations included within the Settlement, as well as our participation in other similar programs approved by the Federal Reserve Board. While additional future cash payments related to the CMP are possible if we are unable to satisfy the borrower relief requirements of the Settlement within two years, we currently expect that the full amount of the CMP will be satisfied through our commitments included within the Settlement.

Other Mortgage Foreclosure Matters

Commonwealth of Massachusetts

On December 1, 2011, the Commonwealth of Massachusetts filed an enforcement action in the Suffolk County Superior Court against GMAC Mortgage and several other lender/servicers. For further details, refer to Legal Proceedings below.

Consent Order

As a result of an examination conducted by the FRB and FDIC, on April 13, 2011, each of Ally Financial Inc., Ally Bank, Residential Capital, LLC and GMAC Mortgage, LLC (collectively, the Ally Entities) entered into a Consent Order (the Consent Order) with the FRB and the FDIC. The Consent Order requires the Ally Entities to make improvements to various aspects of Ally's residential mortgage loan-servicing business, including compliance programs, internal audit, communications with borrowers, vendor management, management information systems, employee training, and oversight by the boards of the Ally Entities.

The Consent Order further requires GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions. We cannot reasonably estimate the ultimate impact of any deficiencies that have been or may be identified in our historical foreclosure procedures. There are potential risks related to these matters that extend beyond potential liability on individual foreclosure actions. Specific risks could include, for example, claims and litigation related to foreclosure remediation and resubmission; claims from investors that hold securities that become adversely impacted by continued delays in the foreclosure process; the reduction in foreclosure proceeds due to delay, or by challenges to completed foreclosure sales to the extent, if any, not covered by title insurance obtained in connection with such sales; actions by courts, state attorneys general, or regulators to delay further the foreclosure process after submission of corrected affidavits, or to facilitate claims by borrowers alleging that they were harmed by our foreclosure practices (by, for example, foreclosing without offering an appropriate range of alternative home preservation options); additional regulatory fines, sanctions, and other additional costs; and reputational risks. To date we have borne all out-of-pocket costs associated with the remediation rather than passing any such costs through to investors for whom we service the related mortgages, and we expect that we will continue to do so.

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Loan Repurchases and Obligations Related to Loan Sales

Overview

Mortgage Companies within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies' private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has guaranteed Ally Bank coverage of certain of these liabilities.

Originations

The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010. Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

Repurchase Process

After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. The applicable Mortgage Companies actively contest claims to the extent they are not considered valid. The applicable Mortgage Companies are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, the applicable Mortgage Companies bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Notes to Condensed Consolidated Financial Statements (unaudited)

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

	March 31, 2012			December 31, 2011 (a)		
($ in millions)	Number of loans	Original UPB of loans		Number of loans	Original UPB of loans	
GSEs	457	$	89	357	$	71
Insured PLS (monolines)						
MBIA	7,314		491	7,314		490
FGIC	4,826		382	4,608		369
Other	937		70	730		58
Uninsured PLS	294		78	38		7
Whole-loan/other	561		85	475		74
Total number of loans and unpaid principal balance	14,389	$	1,195	13,522	$	1,069

(a) Excludes certain populations where counterparties have requested additional documentation.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain of their private-label securitizations. Historically we have requested that most of the repurchase demands presented to us by both MBIA and FGIC be rescinded, consistent with the repurchase process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at the applicable Mortgage Companies. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. The repurchase reserve at March 31, 2012 relates primarily to non-GSE exposure.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Three months ended March 31, (*$ in millions*)	2012		2011	
Balance at January 1,	$	825	$	830
Provision for mortgage representation and warranty expenses				
Loan sales		5		6
Change in estimate — continuing operations		19		26
Total additions		24		32
Resolved claims (a)		(42)		(34)
Recoveries		4		2
Balance at March 31,	$	811	$	830

(a) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

Government-sponsored Enterprises

Between 2004 and 2008, the applicable Mortgage Companies sold $250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the three months ended March 31, 2012, the applicable Mortgage Companies received repurchase claims relating to $128 million of original unpaid principal balance of which $93 million are

associated with the 2004 through 2008 vintages. The remaining $35 million in repurchase claims relate to post-2008 vintages. During the three months ended March 31, 2012, the applicable Mortgage Companies resolved claims with respect to $110 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to $60 million of original unpaid principal balance, and rescinded claims related to $50 million of original unpaid principal balance. The applicable Mortgage Companies' representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label MBS in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $10.9 billion. For the three months ended March 31, 2012, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was $5 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was $2 million. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) "non-loan-level" representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

Certain of our Mortgage Companies received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and Freddie Mac. The subpoenas relating to Fannie Mae investments have been withdrawn with prejudice. The FHFA indicated that documents provided in response to the remaining subpoenas will enable the FHFA to determine whether they believe issuers of private-label MBS are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any representation and warranty claims against us with respect to private-label securities subsequent to the settlement, they may well do so in the future. The FHFA has commenced securities and related common law fraud litigation against Ally and certain of our Mortgage Companies with respect to certain of Freddie Mac's private-label securities investments. Refer to the Legal Proceedings described below for additional information.

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third-party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $24.4 billion. For the three months ended March 31, 2012, the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was $14 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was $10 million. These other specified categories include, among others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our securitization activities are less rigorous than those provided to the

Notes to Condensed Consolidated Financial Statements (unaudited)

GSEs and generally impose higher burdens on parties seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally is required to coordinate with other investors in that class comprising not less than 25%, and in some cases, 50%, of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, certain of our Mortgage Companies have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that the applicable Mortgage Company repurchase loans or make the investor whole for losses incurred if it is determined that the applicable Mortgage Company violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute, as a matter of law, is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured PLS (Monolines)

Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, the Mortgage Companies sold $42.7 billion of loans into these monoline-wrapped securitizations. During the three months ended March 31, 2012, the Mortgage Companies received repurchase claims related to $28 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to $2 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely.

Uninsured PLS

Historically, the applicable Mortgage Companies securitized loans where all or some of the related bonds were uninsured. These entities are required to make customary representations and warranties about the loans to the investor and/or securitization trust. Though particular application of the language is in dispute in various litigation, the contracts typically require claimants to demonstrate that an alleged breach of representations and warranties has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, the Mortgage Companies sold $182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. They historically were included within the Whole loan/other category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one uninsured PLS deal for loans originated in 2006 relating to $70 million of original unpaid principal balance. The Mortgage Companies are currently reviewing this repurchase request.

Whole-loan Sales

In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the three months ended March 31, 2012, certain of our Mortgage Companies have received $22 million of original unpaid principal balance in repurchase claims, all of which are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to $10 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance,

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they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, the applicable Mortgage Companies have approximately $173 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims. The following information supplements the disclosures in Note 31 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

FGIC Litigation

The Financial Guaranty Insurance Company (FGIC) filed three complaints on November 29, 2011, against several of Ally's mortgage subsidiaries in New York County Supreme Court. In two of these cases, both entitled Financial Guaranty Insurance Company v. Residential Funding Company LLC (RFC), et al., FGIC alleges that defendants RFC and ResCap breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. FGIC further alleges that the defendants breached their contractual obligations to permit access to loan files and certain books and records.

In the third case, entitled Financial Guaranty Insurance Company v. GMAC Mortgage LLC (GMAC Mortgage), et al., FGIC makes similar contract allegations against GMAC Mortgage and ResCap, as well as a claim against GMAC Mortgage for fraudulent inducement. In addition, FGIC alleges aiding and abetting fraudulent inducement against Ally Bank, which originated a large portion of the loans in the disputed pool, and breach of the custodial agreement for failing to notify FGIC of the claimed breaches of representations and warranties. In each of these cases, FGIC seeks, among other relief, reimbursement of all sums it paid under the various policies and an award of legal, rescissory, equitable, and punitive damages.

On December 15, 2011, FGIC filed a fourth complaint in New York County Supreme Court related to insurance policies issued in connection with an RFC-sponsored transaction. This complaint, entitled Financial Guaranty Insurance Company v. Ally, et al., names Ally, RFC, and ResCap, and seeks various forms of declaratory and monetary relief. The complaint alleges that the defendants are alter egos of one another, fraudulently induced FGIC's agreement to provide insurance by misrepresenting the nature of RFC's business practices and the credit quality and characteristics of the underlying loans, and have now materially breached their agreement with FGIC by refusing its requests for information and documents.

On December 27, 2011, FGIC filed three additional complaints in New York County Supreme Court against Ally, RFC, and ResCap. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same.

Since January 1, 2012, FGIC has filed five new complaints in federal court naming some combination of Ally, ResCap, Ally Bank, RFC, and GMAC Mortgage. The five complaints were filed on January 31, 2012, March 5, 2012, March 6, 2012, March 12, 2012 and March 13, 2012, respectively. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same. In addition, FGIC amended its first-filed complaint to name Ally Financial as a defendant.

All of the FGIC cases are now venued in the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each such case.

Mitchell Litigation

In this statewide class action, plaintiffs alleged that Mortgage Capital Resources, Inc. (MCR) violated the Missouri Second Mortgage Loan Act by charging Missouri borrowers fees and interest not permitted by the Act. RFC and Homecomings Financial LLC (HFN), among others, were named as defendants in their role as assignees of certain of the MCR loans. Following a trial concluded in January 2008, the jury returned verdicts against all defendants, including an award against RFC and HFN for $4 million in compensatory damages (plus pre- and post-judgment interest and attorneys' fees) and against RFC for $92 million in punitive damages. In a November 2010 decision, the Missouri Court of Appeals affirmed the compensatory damages but ordered a new trial on punitive damages. Upon remand, we paid $12.8 million in compensatory damages (including interest and attorneys' fees). At the end of February 2012, RFC entered into an agreement in principle to settle all of plaintiffs' remaining claims, including plaintiffs' already-awarded attorneys' fees on appeal, for a total of $17.3 million. The agreement was preliminarily approved on April 16, 2012. The hearing on final approval is scheduled for May 18, 2012.

Potential Losses - Litigation, Repurchase Obligations, and Related Claims

Litigation

As described under Legal Proceedings above, Ally and certain of its subsidiaries have been named as defendants in several cases relating to their various roles in MBS offerings.

Private-label Securitizations — Other Potential Repurchase Obligations

When our Mortgage Companies sell mortgage loans through whole-loan sales or securitizations, these entities are required to make customary representations and warranties about the loans to the purchaser and/or securitization trust. These representations and warranties relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation, and compliance with applicable laws. Generally, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time over the life of the loan, subject to applicable statutes of limitations and other similar limitations. Breaches of these representations and warranties have resulted in a requirement that the applicable Mortgage Companies repurchase mortgage loans. As the mortgage industry continues to experience higher repurchase requirements and additional investors begin to attempt to put back loans, a significant increase in activity beyond that experienced today could occur, resulting in additional future losses at our Mortgage Companies.

Potential Losses

We currently estimate that ResCap's reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims described above could be between $0 and $4 billion over existing accruals. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material. However, as a result of ResCap's current financial position, we believe ResCap's ability to pay for any such losses is very limited. Refer to Note 1 to the Condensed Consolidated Financial Statements for a discussion of reasonably possible losses in connection with a ResCap bankruptcy filing.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the item becomes probable and the costs can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

25. Subsequent Events

Declaration of Quarterly Dividend Payments

On April 4, 2012 , the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of $1.125 per share, or a total of $134 million , on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of $17.50 per share, or a total of $45 million , on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of $0.53 per share, or a total of $22 million , on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends are payable on May 15, 2012 .

Chrysler Exclusivity Agreement

We are currently party to an agreement with Chrysler, pursuant to which Chrysler is obligated to provide us with exclusivity privileges related to certain of its retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of non-renewal, and as a result the agreement will expire on April 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations, our Condensed Consolidated Financial Statements, and the Notes to Condensed Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

	Three months ended March 31,	
($ in millions)	2012	2011
Total financing revenue and other interest income	$ 2,400	$ 2,478
Interest expense	1,438	1,664
Depreciation expense on operating lease assets	293	270
Net financing revenue	669	544
Total other revenue	1,187	1,008
Total net revenue	1,856	1,552
Provision for loan losses	140	113
Total noninterest expense	1,350	1,340
Income from continuing operations before income tax expense (benefit)	366	99
Income tax expense (benefit) from continuing operations	64	(70)
Net income from continuing operations	302	169
Income (loss) from discontinued operations, net of tax	8	(23)
Net income	$ 310	$ 146
Basic and diluted earnings per common share:		
Net income (loss) from continuing operations	$ 76	$ (2)
Net income (loss)	82	(19)
Non-GAAP financial measures (a):		
Net income	$ 310	$ 146
Add: Original issue discount amortization expense (b)	108	326
Add: Income tax expense (benefit) from continuing operations	64	(70)
Less: Income (loss) from discontinued operations, net of tax	8	(23)
Core pretax income (a)	$ 474	$ 425

(a) Core pretax income is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income determined in accordance with GAAP.

(b) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, including accelerated amortization of $30 million for the three months ended March 31, 2011 that was reported as a loss on extinguishment of debt in the Condensed Consolidated Statement of Comprehensive Income.

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The following table presents selected balance sheet and ratio data.

($ in millions)	At and for the three months ended March 31, 2012	2011
Selected period-end balance sheet data:		
Total assets	$ 186,350	$ 173,704
Long-term debt	$ 93,990	$ 88,139
Preferred stock/interests	$ 6,940	$ 6,940
Total equity	$ 19,667	$ 20,407
Financial ratios		
Efficiency ratio (a)	72.74%	86.34%
Core efficiency ratio (a)	68.74%	71.35%
Return on assets		
Net income from continuing operations	0.66%	0.39%
Net income	0.68%	0.34%
Core pretax income	1.03%	0.99%
Return on equity		
Net income from continuing operations	6.24%	3.36%
Net income	6.40%	2.90%
Core pretax income	9.78%	8.45%
Equity to assets	10.56%	11.72%
Net interest spread (b)	1.24%	0.85%
Net interest spread excluding original issue discount (b)	1.60%	1.86%
Net yield on interest-earning assets (c)	1.67%	1.46%
Net yield on interest-earning assets excluding original issue discount (c)	1.94%	2.26%
Regulatory capital ratios		
Tier 1 capital (to risk-weighted assets) (d)	13.50%	14.68%
Total risk-based capital (to risk-weighted assets) (e)	14.53%	15.97%
Tier 1 leverage (to adjusted quarterly average assets) (f)	11.65%	12.78%
Total equity	$ 19,667	$ 20,407
Goodwill and certain other intangibles	(494)	(533)
Unrealized gains and other adjustments	(317)	(272)
Trust preferred securities	2,542	2,541
Tier 1 capital (d)	21,398	22,143
Preferred equity	(6,940)	(6,940)
Trust preferred securities	(2,542)	(2,541)
Tier 1 common capital (non-GAAP) (g)	$ 11,916	$ 12,662
Risk-weighted assets (h)	$ 158,460	$ 150,814
Tier 1 common (to risk-weighted assets) (g)	7.52%	8.40%

(a) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense.
(b) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
(c) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
(d) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
(e) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
(f) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
(g) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
(h) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

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Management's Discussion and Analysis

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We are also one of the largest residential mortgage companies in the United States. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market.

Discontinued Operations

During 2011, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, and Mortgage Legacy Portfolio and Other operations, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations were removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information regarding our discontinued operations.

Primary Lines of Business

Our primary lines of business are Global Automotive Services and Mortgage operations. The following table summarizes the operating results excluding discontinued operations of each line of business for the three months ended March 31, 2012 and 2011. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Total net revenue (expense)			
Global Automotive Services			
North American Automotive Finance operations	$ 854	$ 927	(8)
International Automotive Finance operations	230	224	3
Insurance operations	468	485	(4)
Mortgage			
Origination and Servicing operations	554	323	72
Legacy Portfolio and Other operations	50	90	(44)
Corporate and Other	(300)	(497)	40
Total	$ 1,856	$ 1,552	20
Income (loss) from continuing operations before income tax expense (benefit)			
Global Automotive Services			
North American Automotive Finance operations	$ 442	$ 518	(15)
International Automotive Finance operations	45	31	45
Insurance operations	124	131	(5)
Mortgage			
Origination and Servicing operations	217	85	155
Legacy Portfolio and Other operations	(26)	(42)	38
Corporate and Other	(436)	(624)	30
Total	$ 366	$ 99	n/m

n/m = not meaningful

- Our Global Automotive Services operations offer a wide range of financial services and products to retail automotive consumers and automotive dealerships. Our Global Automotive Services consist of three separate reportable segments — North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. Our North American Automotive Finance operations include the automotive activities of Ally Bank and ResMor Trust. Our automotive finance services include acquiring or providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services.

  Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, and maintenance coverage.

  We have significantly streamlined our international presence to focus on strategic operations in five core markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture, GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC).

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On April 25, 2012, Chrysler provided us with notification of nonrenewal for the existing agreement governing the exclusivity privileges related to certain of its retail financing subvention programs (for further discussion on our agreement, refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 1, Business - Manufacturer Relationships). As a result of this notification, the agreement will expire on April 30, 2013. The nonrenewal of the existing contract does not preclude the two companies from continuing to work together in the future.

On March 22, 2012, we announced that MG Motor UK selected Ally as the preferred wholesale provider for dealerships in the United Kingdom. This agreement expands on the existing preferred retail financing relationship established in 2011.

- Our mortgage business is a leading originator and servicer of residential mortgage loans in the United States. We report our Mortgage operations as two distinct segments: (1) Origination and Servicing operations and (2) Legacy Portfolio and Other operations. These operations are conducted through the mortgage operations of Ally Bank and subsidiaries of the Residential Capital, LLC (ResCap) legal entity.

  Our Origination and Servicing operations consist of originating, purchasing, selling, and securitizing conforming and government-insured residential mortgage loans in the United States. We are one of the largest residential mortgage loan servicers in the United States, and we provide collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending. We finance our mortgage loan originations primarily in Ally Bank. We sell the conforming mortgages we originate or purchase in sales that take the form of securitizations guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac), and we sell government-insured mortgage loans we originate or purchase in securitizations guaranteed by the Government National Mortgage Association (Ginnie Mae). We also selectively originate prime jumbo mortgage loans.

  Our Legacy Portfolio and Other operations primarily consist of loans originated prior to January 1, 2009, and includes noncore business activities including discontinued operations, portfolios in runoff, our mortgage reinsurance business, and cash held in the ResCap legal entity. These activities, all of which we have discontinued, included, among other things: lending to real estate developers and homebuilders in the United States and the United Kingdom; and purchasing, selling, and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans originated subsequent to January 1, 2009, which are included in our Origination and Servicing operations) in both the United States and internationally.

  ResCap did not make a semi-annual interest payment that was due on April 17, 2012, related to $473 million of unsecured debt principal, which matures in 2013. The interest due was $20 million. The indenture provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days. ResCap has significant additional near-term interest and principal payments on its outstanding debt securities and credit facilities. Ally or ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include, among others, Ally providing or declining to provide additional liquidity and capital support for ResCap; Ally purchasing assets from ResCap; asset sales by ResCap to third parties, or other business reorganization or similar action by ResCap with respect to all or part of ResCap and/or its affiliates. This may include a reorganization under bankruptcy laws, which ResCap is actively considering. Refer to Note 1 for further details on ResCap.

- Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to small and medium sized businesses primarily in the United States.

Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown.

($ in millions)	Three months ended March 31, 2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	$ 2,400	$ 2,478	(3)
Interest expense	1,438	1,664	14
Depreciation expense on operating lease assets	293	270	(9)
Net financing revenue	669	544	23
Other revenue			
Net servicing income	319	270	18
Insurance premiums and service revenue earned	375	399	(6)
Gain on mortgage and automotive loans, net	126	90	40
Loss on extinguishment of debt	—	(39)	100
Other gain on investments, net	90	84	7
Other income, net of losses	277	204	36
Total other revenue	1,187	1,008	18
Total net revenue	1,856	1,552	20
Provision for loan losses	140	113	(24)
Noninterest expense			
Compensation and benefits expense	475	424	(12)
Insurance losses and loss adjustment expenses	159	170	6
Other operating expenses	716	746	4
Total noninterest expense	1,350	1,340	(1)
Income from continuing operations before income tax expense (benefit)	366	99	n/m
Income tax expense (benefit) from continuing operations	64	(70)	(191)
Net income from continuing operations	$ 302	$ 169	79

n/m = not meaningful

We earned net income from continuing operations of $302 million for the three months ended March 31, 2012, compared to net income from continuing operations of $169 million for the three months ended March 31, 2011. Net income from continuing operations for the three months ended March 31, 2012, was favorably impacted by a decrease in interest expense related to bond maturities and normal monthly amortization, an increase in consumer automotive financing revenue driven primarily by strong origination volume during 2011, and higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs. The increase was partially offset by higher income tax expense.

Total financing revenue and other interest income decreased by 3% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease at our Mortgage Legacy Portfolio and Other operations resulted from a decline in average asset levels due to portfolio runoff and loan sales. Operating lease revenue at our North Automotive Finance operations decreased due to lower levels of lease units outstanding during the quarter, primarily driven by the continued wind-down of legacy lease assets. These declines were partially offset by an increase in consumer financing revenue at our North American Automotive operations driven primarily by strong loan origination volume during 2011, resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales.

Interest expense decreased 14% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower OID amortization expense of $188 million related to bond maturities and normal monthly amortization.

Depreciation expense on operating lease assets increased 9% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Net servicing income was $319 million for the three months ended March 31, 2012, compared to $270 million for the same period in 2011. The servicing valuation in 2011 was unfavorably impacted by an adjustment related to higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order. The increase was also due to favorable market movement.

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Insurance premiums and service revenue earned decreased 6% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower insurance premiums and service revenue earned resulting from declining U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans increased 40% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher mortgage loan margins due to change in channel mix.

Loss on extinguishment of debt decreased $39 million for the three months ended March 31, 2012, compared to the same period in 2011. The activity in 2011 included $30 million of accelerated amortization of original issue discount related to the extinguishment of certain Ally debt.

Other income, net of losses, increased 36% for the three months ended March 31, 2012, compared to the same period in 2011. The increase for the three months ended March 31, 2012, was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was $140 million for the three months ended March 31, 2012, compared to $113 million for the same period in 2011. The increase in the three months ended March 31, 2012, reflected continued growth in the consumer and commercial automotive portfolios and a lower reserve release from the ongoing runoff of our legacy mortgage portfolio.

Compensation and benefits expense increased 12% for the three months ended March 31, 2012, compared to the same period in 2011. The increase was primarily related to a revaluation adjustment of our share-based compensation awards and an increase in headcount at Mortgage Origination and Servicing operations due to higher consumer-lending production.

Other operating expenses decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower advertising and marketing expenses and lower vehicle remarketing and repossession expense, partially offset by higher professional services expense.

Income tax expense from continuing operations was $64 million for the three months ended March 31, 2012, compared to an income tax benefit of $70 million for the same period in 2011. The increase in income tax expense during the three months ended March 31, 2012, compared to the same period in 2011, was due to the 2011 benefit being largely driven by a $101 million income tax benefit on a reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries that was not a recurring event in 2012.

In calculating the provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. We have a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense is driven by foreign income taxes on pretax profits within our foreign operations and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted.

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Management's Discussion and Analysis

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Global Automotive Services

Results for Global Automotive Services are presented by reportable segment, which includes our North American Automotive Finance operations, our International Automotive Finance operations, and our Insurance operations.

Our Global Automotive Services operations offer a wide range of financial services and insurance products to retail automotive consumers and automotive dealerships. Our automotive finance services include acquiring or providing retail installment sales contracts, loans and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages, and we provide commercial insurance primarily covering dealers' wholesale vehicle inventory.

North American Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our North American Automotive Finance operations for the periods shown. North American Automotive Finance operations consist of automotive financing in the United States and Canada and include the automotive activities of Ally Bank and ResMor Trust. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Consumer	$ 763	$ 668	14
Commercial	322	326	(1)
Loans held-for-sale	5	—	100
Operating leases	536	651	(18)
Other interest income	18	23	(22)
Total financing revenue and other interest income	1,644	1,668	(1)
Interest expense	578	582	1
Depreciation expense on operating lease assets	291	268	(9)
Net financing revenue	775	818	(5)
Other revenue			
Servicing fees	30	45	(33)
Other income	49	64	(23)
Total other revenue	79	109	(28)
Total net revenue	854	927	(8)
Provision for loan losses	78	46	(70)
Noninterest expense			
Compensation and benefits expense	119	116	(3)
Other operating expenses	215	247	13
Total noninterest expense	334	363	8
Income before income tax expense (benefit)	$ 442	$ 518	(15)
Total assets	$ 102,894	$ 87,662	17
Operating data			
Retail Originations	$ 8,927	$ 10,140	(12)
Lease Originations	1,619	2,219	(27)

Our North American Automotive Finance operations earned income before income tax expense of $442 million for the three months ended March 31, 2012, compared to $518 million for the three months ended March 31, 2011. The decrease in 2012 was primarily driven by lower operating lease remarketing gains due to lower termination volume, the run-off of legacy lease assets, lower servicing fees and remarketing fee income, and higher provision expense for loan losses. These declines were partially offset by increased consumer financing revenue driven by strong origination volume and lower operating expenses.

Consumer financing revenue increased 14% for the three months ended March 31, 2012, compared to the same period in 2011, due to an increase in consumer asset levels primarily related to strong loan origination volume, resulting primarily from increased volumes of used

vehicle automotive financing and higher automotive industry sales. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Operating lease revenue decreased 18% for the three months ended March 31, 2012 , compared to the same period in 2011 , due to lower levels of lease units outstanding during the quarter, primarily driven by the continued wind-down of legacy lease assets.

Depreciation expense on operating lease assets increased 9% for the three months ended March 31, 2012 , compared to the same period in 2011 , primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Servicing fee income decreased 33% for the three months ended March 31, 2012 compared to the same period in 2011 , due to lower levels of off-balance sheet retail serviced assets driven by a reduction of whole-loan sales.

Other income decreased 23% for the three months ended March 31, 2012 , compared to the same period in 2011 , primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform. While we continue to grow our diversified remarketing volumes with third parties, the growth was offset by reductions in remarketing volume from our off-lease vehicles and repossessed assets.

The provision for loan losses was $78 million for the three months ended March 31, 2012 , compared to $46 million for the same period in 2011 . The increase for the three months ended March 31, 2012 , was primarily due to continued growth in consumer and commercial loans. Overall portfolio credit quality remains strong and continues to benefit from favorable pricing in the used vehicle market.

Other operating expenses decreased 13% for the three months ended March 31, 2012 , compared to the same period in 2011 . The decrease was a result of lower expense related to automotive manufacturer exclusivity arrangements and lower costs associated with reduced lease termination volumes, including lower vehicle remarketing expenses.

Management's Discussion and Analysis

International Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our International Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments and include eliminations of balances and transactions among our North American Automotive Finance operations and Insurance operations.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Consumer	$ 304	$ 287	6
Commercial	93	104	(11)
Operating leases	4	4	—
Other interest income	17	26	(35)
Total financing revenue and other interest income	418	421	(1)
Interest expense	252	253	—
Depreciation expense on operating lease assets	2	2	—
Net financing revenue	164	166	(1)
Other revenue			
Other income	66	58	14
Total other revenue	66	58	14
Total net revenue	230	224	3
Provision for loan losses	47	37	(27)
Noninterest expense			
Compensation and benefits expense	44	44	—
Other operating expenses	94	112	16
Total noninterest expense	138	156	12
Income from continuing operations before income tax expense (benefit)	$ 45	$ 31	45
Total assets	$ 16,054	$ 16,295	(1)
Operating data			
Consumer originations (a) (b)	$ 2,294	$ 1,898	21

(a) Represents consumer originations for continuing operations only.
(b) Includes vehicles financed through our joint venture GMAC-SAIC, which is recorded as other income. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $45 million during the three months ended March 31, 2012 , compared to $31 million during the three months ended March 31, 2011 . The increase for the three months ended March 31, 2012 , was primarily a result of lower operating expenses driven by lower legal costs in Latin America, our continued focus on cost reduction, and higher income earned from our China joint venture.

Total financing revenue and other interest income decreased $3 million during the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to unfavorable movements in foreign-currency exchange rates on our consumer and commercial portfolios, which were partially offset by stronger originations, primarily in Brazil.

Other income increased 14% for the three months ended March 31, 2012 , compared to the same period in 2011 , primarily due to higher earnings from our China joint venture and higher income on other assets in Brazil.

The provision for loan losses increased $10 million for the three months ended March 31, 2012 , compared to the same period in 2011 . The increase in provision is related to increased reserves as a result of a cautious economic outlook in Europe and Latin America.

Other operating expenses decreased 16% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower legal expenses in Latin America.

Management's Discussion and Analysis

Automotive Financing Volume

Consumer Automotive Financing Volume

The following table summarizes our new and used vehicle consumer financing volume and our share of consumer sales.

	Ally consumer automotive financing volume		% Share of consumer sales	
Three months ended March 31, (*units in thousands*)	**2012**	2011	**2012**	2011
GM new vehicles				
North America	**157**	266	**32**	51
International (excluding China) (a)	**97**	75	**30**	24
China (b)	**24**	25	**8**	10
Total GM new units financed	**278**	366		
Chrysler new vehicles				
North America	**82**	75	**26**	30
International (excluding China)	**—**	—		
Total Chrysler new units financed	**82**	75		
Other non-GM / Chrysler new vehicles				
North America	**21**	19		
International (excluding China)	**1**	1		
China (b)	**23**	21		
Total other non-GM / Chrysler new units financed	**45**	41		
Used vehicles				
North America	**141**	125		
International (excluding China)	**10**	9		
China (b)	**—**	—		
Total used units financed	**151**	134		
Total consumer automotive financing volume	**556**	616		

(a) Excludes financing volume and GM consumer sales of discontinued operations, as well as GM consumer sales for other countries in which GM operates and in which we have no financing volume.

(b) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

The decline in consumer automotive financing volume during the three months ended March 31, 2012, compared to the same period in 2011, was primarily driven by lower retail penetration at both GM and Chrysler in North America. Despite the overall decrease between periods, both used and diversified originations increased due to our continued strategic focus within these markets. The decrease in North American GM penetration was due to a change in automotive manufacturers' incentive strategy and a decrease in Ally-exclusive incentives. The decrease in North American Chrysler penetration was the result of increased competition. The increases and favorable penetration levels in our International operations were primarily due to aggressive manufacturer marketing incentive programs coupled with existing Ally campaigns and more competitive pricing.

Management's Discussion and Analysis

Manufacturer Marketing Incentives

The following table presents the percentage of retail and lease contracts acquired by us that included rate support from GM.

Three months ended March 31,	2012	2011
GM subvented volume in North America		
As % of GM North American new retail and lease volume acquired by Ally	62%	46%
As % of total North American new and used retail and lease volume acquired by Ally	24%	25%
GM subvented International (excluding China) volume (a)		
As % of GM International new retail and lease volume acquired by Ally	71%	61%
As % of total International new and used retail and lease volume acquired by Ally	64%	54%
GM subvented volume in China (b)		
As % of GM China new retail and lease volume acquired by Ally	2%	1%
As % of total China new and used retail and lease volume acquired by Ally	1%	1%

(a) Represents subvention for continuing operations only.
(b) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

The following table presents the percentage of Chrysler subvented retail and lease volume acquired by Ally.

Three months ended March 31,	2012	2011
Chrysler subvented volume in North America		
As % of Chrysler North American new retail and lease volume acquired by Ally	50%	48%
As % of total North American new and used retail and lease volume acquired by Ally	10%	7%

During the three months ended March 31, 2012, North American retail contracts acquired that included rate subvention from GM and Chrysler increased as a percentage of total new retail contracts acquired as compared to the same period in 2011 due to a change in the mix of manufacturer marketing incentives away from non-rate programs. International retail contracts acquired from GM that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets.

For further discussion of our manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

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Commercial Wholesale Financing Volume

The following table summarizes the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in markets where we operate.

	Average balance		% Share of dealer inventory	
Three months ended March 31, (*$ in millions*)	**2012**	2011	**2012**	2011
GM new vehicles				
North America (a)	**$ 16,243**	$ 15,413	**72**	84
International (excluding China) (b) (c)	**4,204**	3,830	**77**	76
China (b) (d)	**1,443**	884	**80**	81
Total GM new vehicles financed	**21,890**	20,127		
Chrysler new vehicles				
North America (a)	**7,755**	7,182	**60**	68
International	**20**	21		
Total Chrysler new vehicles financed	**7,775**	7,203		
Other non-GM / Chrysler new vehicles				
North America	**2,365**	2,215		
International (excluding China)	**72**	131		
China (d)	**5**	—		
Total other non-GM / Chrysler new vehicles financed	**2,442**	2,346		
Used vehicles				
North America	**3,215**	3,076		
International (excluding China)	**169**	135		
Total used vehicles financed	**3,384**	3,211		
Total commercial wholesale finance receivables	**$ 35,491**	$ 32,887		

(a) Share of dealer inventory based on a 4 month average of dealer inventory (excludes in-transit units).
(b) Share of dealer inventory based on wholesale financing share of GM shipments.
(c) Excludes commercial wholesale finance receivables and dealer inventory of discontinued and wind-down operations as well as dealer inventory for other countries in which GM operates and we had no commercial wholesale finance receivables.
(d) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Commercial wholesale financing average volume increased for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to growing dealer inventories required to support increasing global automobile sales. North American GM and Chrysler wholesale penetration decreased for the three months ended March 31, 2012, compared to the same period in 2011, due to increased competition in the wholesale marketplace.

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Insurance Operations

Results of Operations

The following table summarizes the operating results of our Insurance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other operating segments.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Insurance premiums and other income			
Insurance premiums and service revenue earned	$ 371	$ 393	(6)
Investment income	82	79	4
Other income	15	13	15
Total insurance premiums and other income	468	485	(4)
Expense			
Insurance losses and loss adjustment expenses	155	157	1
Acquisition and underwriting expense			
Compensation and benefits expense	25	27	7
Insurance commissions expense	116	122	5
Other expenses	48	48	—
Total acquisition and underwriting expense	189	197	4
Total expense	344	354	3
Income from continuing operations before income tax expense (benefit)	$ 124	$ 131	(5)
Total assets	$ 8,394	$ 9,024	(7)
Insurance premiums and service revenue written	$ 373	$ 374	—
Combined ratio (a)	89.7%	87.4%	

(a) Management uses a combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

Our Insurance operations earned income from continuing operations before income tax expense of $124 million for the three months ended March 31, 2012, compared to $131 million for the three months ended March 31, 2011. The decrease was primarily attributable to lower insurance premiums and service revenue earned.

Total insurance premiums and other income decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower insurance premiums and service revenue earned resulting from declining U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Insurance losses and loss adjustment expenses totaled $155 million for the three months ended March 31, 2012, compared to $157 million for the three months ended March 31, 2011. The decrease was driven primarily by decreased volume of our U.S. extended service contracts. This decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower commissions expense in our U.S. dealership-related products matching our decrease in earned premiums.

Management's Discussion and Analysis

The following table shows premium and service revenue written by insurance product.

	Three months ended March 31,	
($ in millions)	2012	2011
Vehicle service contracts		
New retail	$ 94	$ 90
Used retail	134	129
Reinsurance	(31)	(25)
Total vehicle service contracts	197	194
Wholesale	20	22
Other finance and insurance (a)	33	30
North American operations	250	246
International operations	123	128
Total	$ 373	$ 374

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, and other ancillary products.

Insurance premiums and service revenue written was $373 million for the three months ended March 31, 2012, compared to $374 million for the same period in 2011. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. As such, the majority of earnings from vehicle service contracts written during the three months ended March 31, 2012, will be recognized as income in future periods.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

The following table summarizes the composition of our Insurance operations cash and investment portfolio at fair value.

($ in millions)	March 31, 2012	December 31, 2011
Cash		
Noninterest-bearing cash	$ 234	$ 211
Interest-bearing cash	1,053	629
Total cash	1,287	840
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	398	496
Foreign government	758	678
Mortgage-backed	466	590
Asset-backed	137	95
Corporate debt	1,551	1,491
Other debt	21	23
Total debt securities	3,331	3,373
Equity securities	969	1,054
Total available-for-sale securities	4,300	4,427
Total cash and securities	$ 5,587	$ 5,267

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Management's Discussion and Analysis

Mortgage Operations

Our Mortgage operations include the ResCap legal entity and the mortgage operations of Ally Bank (Refer to Note 1 for further details on ResCap). Results from continuing operations for our Mortgage operations are presented by reportable segment, which includes our Origination and Servicing operations and our Legacy Portfolio and Other operations.

Origination and Servicing Operations

Results of Operations

The following table summarizes the operating results for our Origination and Servicing operations for the periods shown. Our Origination and Servicing operations principal activities include originating, purchasing, selling, and securitizing conforming and government-insured residential mortgage loans in the United States; servicing residential mortgage loans for ourselves and others; and providing collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending. We also originate high-quality prime jumbo mortgage loans in the United States. We finance our mortgage loan originations primarily in Ally Bank.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue (loss)			
Total financing revenue and other interest income	$ 104	$ 101	3
Interest expense	97	118	18
Net financing revenue (loss)	7	(17)	141
Servicing fees	281	312	(10)
Servicing asset valuation and hedge activities, net	9	(87)	110
Total servicing income, net	290	225	29
Gain on mortgage loans, net	126	72	75
Other income, net of losses	131	43	n/m
Total other revenue	547	340	61
Total net revenue	554	323	72
Provision for loan losses	1	2	50
Noninterest expense			
Compensation and benefits expense	86	65	(32)
Representation and warranty expense	11	(2)	n/m
Other operating expenses	239	173	(38)
Total noninterest expense	336	236	(42)
Income before income tax expense (benefit)	$ 217	$ 85	155
Total assets	$ 19,556	$ 18,714	4

n/m = not meaningful

Our Origination and Servicing operations earned income before income tax expense of $217 million for the three months ended March 31, 2012, compared to income before income tax expense of $85 million for the three months ended March 31, 2011. The increase was primarily driven by favorable servicing asset valuation, net of hedge, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans.

Net financing revenue was $7 million for the three months ended March 31, 2012, compared to net financing loss of $17 million for the same period in 2011. The increase in net financing revenue was primarily due to lower funding costs.

Total servicing income, net was $290 million for the three months ended March 31, 2012, compared to $225 million for the same period in 2011. The servicing valuation in 2011 was unfavorably impacted by an adjustment related to higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order. The increase was also due to favorable market movement.

The net gain on mortgage loans increased 75% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher margins due to change in channel mix.

Other income, net of losses, was $131 million for the three months ended March 31, 2012, compared to $43 million for the same period in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage lending-

production associated with government-sponsored refinancing programs.

Total noninterest expense increased 42% for the three months ended March 31, 2012, compared to the same periods in 2011. The increase was primarily driven by higher compensation and benefits expense related to an increase in headcount due to higher consumer mortgage-lending production, higher consulting charges related to the foreclosure review process, and higher legal fees.

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Legacy Portfolio and Other Operations

Results of Operations

The following table summarizes the operating results for our Legacy Portfolio and Other operations excluding discontinued operations for the periods shown. Our Legacy Portfolio and Other operations primarily consists of loans originated prior to January 1, 2009, and includes noncore business activities, portfolios in runoff, and cash held in the ResCap legal entity (Refer to Note 1 for further details on ResCap). These activities included, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; purchasing, selling and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally; certain conforming origination channels closed in 2008; and our mortgage reinsurance business.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	$ 155	$ 198	(22)
Interest expense	105	121	13
Net financing revenue	50	77	(35)
Servicing fees	(1)	(1)	—
Servicing asset valuation and hedge activities, net	—	—	—
Total servicing income, net	(1)	(1)	—
Gain on mortgage loans, net	5	18	(72)
Other income, net of losses	(4)	(4)	—
Total other revenue	—	13	(100)
Total net revenue	50	90	(44)
Provision for loan losses	26	45	42
Noninterest expense			
Compensation and benefits expense	38	36	(6)
Representation and warranty expense	8	28	71
Other operating expenses	4	23	83
Total noninterest expense	50	87	43
Loss from continuing operations before income tax expense (benefit)	$ (26)	$ (42)	38
Total assets	$ 10,523	$ 12,259	(14)

Our Legacy Portfolio and Other operations incurred a loss from continuing operations before income tax expense of $26 million for the three months ended March 31, 2012, compared to a loss from continuing operations before income tax expense of $42 million for the three months ended March 31, 2011. The loss during 2012 was favorably impacted by lower representation and warranty expense and a lower provision for loan losses. Offsetting the improvement during the three months ended March 31, 2012, was lower net financing revenue related to a decline in asset levels.

Net financing revenue was $50 million for the three months ended March 31, 2012, compared to $77 million for the same period in 2011. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to portfolio runoff and loan sales in 2011. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $5 million for the three months ended March 31, 2012 compared to $18 million for the same period in 2011. The decrease during 2012 was primarily due to lower sales of domestic legacy assets and lower volume of mortgage loan resolutions.

The provision for loan losses was $26 million for the three months ended March 31, 2012, compared to $45 million for the same period in 2011. The decrease in the provision for the three months ended March 31, 2012, reflected improved credit performance, partially offset by a lower reserve release.

Total noninterest expense decreased 43% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily driven by lower representation and warranty expense and lower losses related to captive reinsurance activities.

Management's Discussion and Analysis

Mortgage Loan Production and Servicing

Mortgage loan production for our Origination and Servicing operations was $8.6 billion for the three months ended March 31, 2012, compared to $11.8 billion for the same period in 2011. Loan production decreased $3.3 billion, or 27%, for the three months ended March 31, 2012, compared to the same period in 2011. The decline in loan production was largely driven by our reduced presence in the correspondent lending channel, partially offset by increased volume in our direct channels associated with government-sponsored refinancing programs.

The following tables summarize consumer mortgage loan production for our Origination and Servicing operations.

Three months ended March 31, *($ in millions)*	2012 Number of loans	2012 Dollar amount of loans	2011 Number of loans	2011 Dollar amount of loans
Production by product type				
Prime conforming	**31,031**	**$ 6,643**	45,431	$ 9,926
Prime nonconforming	**578**	**464**	455	384
Prime second-lien	**—**	**—**	—	—
Government	**6,821**	**1,489**	7,537	1,537
Nonprime	**—**	**—**	—	—
Total U.S. production by product type	**38,430**	**$ 8,596**	53,423	$ 11,847
U.S. production by channel				
Direct lending	**17,792**	**$ 3,690**	7,014	$ 1,369
Correspondent lender and secondary market purchases	**17,029**	**3,953**	45,543	10,270
Mortgage brokers	**3,609**	**953**	866	208
Total U.S. production by channel	**38,430**	**$ 8,596**	53,423	$ 11,847

The following table summarizes the primary mortgage loan-servicing portfolio.

($ in millions)	March 31, 2012	December 31, 2011
U.S. primary servicing portfolio		
Prime conforming	**$ 217,682**	$ 226,239
Prime nonconforming	**46,051**	47,767
Prime second-lien	**6,069**	6,871
Government	**48,033**	49,027
Nonprime	**20,147**	20,753
International primary servicing portfolio	**5,922**	5,773
Total primary servicing portfolio (a)	**$ 343,904**	$ 356,430

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $28.4 billion and $26.4 billion at March 31, 2012, and December 31, 2011, respectively.

For more information regarding our serviced mortgage assets, refer to Note 11 to the Condensed Consolidated Financial Statements.

Management's Discussion and Analysis

Loans Outstanding

Consumer mortgage loans held-for-sale for our Origination and Servicing operations were as follows.

($ in millions)	March 31, 2012	December 31, 2011
Prime conforming	$ 1,402	$ 3,034
Prime nonconforming	—	—
Prime second-lien	—	—
Government (a)	2,969	3,274
Nonprime	—	—
International	—	—
Total	4,371	6,308
Net premiums	30	80
Fair value option election adjustment	28	87
Lower-of-cost or fair value adjustment	(6)	(5)
Total, net	$ 4,423	$ 6,470

(a) Includes loans subject to conditional repurchase options of $2.3 billion and $2.3 billion sold to Ginnie Mae-guaranteed securitizations at March 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

Consumer mortgage loans held-for-investment for our Origination and Servicing operations were as follows.

($ in millions)	March 31, 2012	December 31, 2011
Prime conforming	$ —	$ —
Prime nonconforming	3,013	2,815
Prime second-lien	—	—
Government	—	—
Nonprime	—	—
International	—	—
Total	3,013	2,815
Net premiums	23	20
Fair value option election adjustment	—	—
Allowance for loan losses	(18)	(16)
Total, net	$ 3,018	$ 2,819

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Management's Discussion and Analysis

Consumer mortgage loans held-for-sale for our Legacy Portfolio and Other operations were as follows.

($ in millions)	March 31, 2012	December 31, 2011
Prime conforming	$ 312	$ 311
Prime nonconforming	562	571
Prime second-lien	527	545
Government	22	20
Nonprime	546	561
International	43	17
Total (a)	2,012	2,025
Net discounts	(306)	(301)
Fair value option election adjustment	(32)	(27)
Lower-of-cost or fair value adjustment	(50)	(55)
Total, net (b)	$ 1,624	$ 1,642

(a) Includes unpaid principal write-down of $1.4 billion and $1.5 billion at March 31, 2012, and December 31, 2011, respectively. The amounts are write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(b) Includes loans subject to conditional repurchase options of $99 million and $106 million sold to off-balance sheet private-label securitizations at March 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

Consumer mortgage loans held-for-investment for our Legacy Portfolio and Other operations were as follows.

($ in millions)	March 31, 2012	December 31, 2011
Prime conforming	$ 268	$ 278
Prime nonconforming	5,108	5,254
Prime second-lien	2,104	2,200
Government	—	—
Nonprime	1,299	1,349
International	441	422
Total	9,220	9,503
Net premiums	17	18
Fair value option election adjustment	(1,554)	(1,601)
Allowance for loan losses	(463)	(479)
Total, net (a)	$ 7,220	$ 7,441

(a) At March 31, 2012, and December 31, 2011, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $832 million and $837 million, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Foreclosure Matters

Refer to Note 24 to the Condensed Consolidated Financial Statements for information related to these matters.

Management's Discussion and Analysis

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing and treasury ALM activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments.

	Three months ended March 31,		
($ in millions)	2012	2011	Favorable/ (unfavorable) % change
Net financing loss			
Total financing revenue and other interest income	$ 38	$ 47	(19)
Interest expense			
Original issue discount amortization	111	299	63
Other interest expense	274	270	(1)
Total interest expense	385	569	32
Net financing loss	(347)	(522)	34
Other revenue			
Loss on extinguishment of debt	—	(39)	100
Other gain on investments, net	24	25	(4)
Other income, net of losses	23	39	(41)
Total other revenue	47	25	88
Total net expense	(300)	(497)	40
Provision for loan losses	(12)	(17)	(29)
Noninterest expense			
Compensation and benefits expense	163	136	(20)
Other operating expense	(15)	8	n/m
Total noninterest expense	148	144	(3)
Loss from continuing operations before income tax expense (benefit)	$ (436)	$ (624)	30
Total assets	$ 28,929	$ 29,750	(3)

n/m = not meaningful

The following table summarizes the components of net financing losses for Corporate and Other.

	Three months ended March 31,	
($ in millions)	2012	2011
Original issue discount amortization		
2008 bond exchange amortization	$ (104)	$ (286)
Other debt issuance discount amortization	(7)	(13)
Total original issue discount amortization (a)	(111)	(299)
Net impact of the funds transfer pricing methodology		
Cost of liquidity	(166)	(184)
Funds-transfer pricing / cost of funds mismatch	(147)	(109)
Benefit of net non-earning assets	58	41
Total net impact of the funds transfer pricing methodology	(255)	(252)
Other (including Commercial Finance Group net financing revenue)	19	29
Total net financing losses for Corporate and Other	$ (347)	$ (522)
Outstanding original issue discount balance	$ 2,093	$ 2,840

(a) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.

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The following table presents the scheduled remaining amortization of the original issue discount at March 31, 2012.

Year ended December 31, *($ in millions)*	2012 (a)	2013	2014	2015	2016	2017 and thereafter (b)	Total
Original issue discount							
Outstanding balance	$ 1,853	$ 1,588	$ 1,396	$ 1,336	$ 1,272	$ —	
Total amortization (c)	240	265	192	60	64	1,272	$ 2,093
2008 bond exchange amortization (d)	216	241	166	43	53	1,125	1,844

(a) Represents the remaining future original issue discount amortization expense to be taken during 2012.
(b) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.
(c) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Comprehensive Income.
(d) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was $436 million for the three months ended March 31, 2012, compared to $624 million for the three months ended March 31, 2011. Corporate and Other's loss from continuing operations before income tax expense is driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The improvement in the loss from continuing operations before income tax expense for the three months ended March 31, 2012, was primarily due to a decrease in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the three months ended March 31, 2012, compared to $30 million for the three months ended March 31, 2011. The improvement was partially offset by an increase in compensation and benefits expense related to a revaluation adjustment of our share-based compensation awards.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $31 million for the three months ended March 31, 2012, compared to $51 million for the three months ended March 31, 2011. The decrease was primarily due to lower net financing revenue driven by lower average asset levels.

Cash and Securities

The following table summarizes the composition of the cash and securities portfolio held at fair value by Corporate and Other.

($ in millions)	March 31, 2012	December 31, 2011
Cash		
Noninterest-bearing cash	$ 1,541	$ 1,768
Interest-bearing cash	9,577	9,781
Total cash	11,118	11,549
Trading securities		
Mortgage-backed	863	589
Total trading securities	863	589
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,046	1,051
States and political subdivisions	1	1
Foreign government	107	106
Mortgage-backed	6,353	6,722
Asset-backed	2,570	2,520
Other debt (a)	561	305
Total debt securities	10,638	10,705
Equity securities	4	4
Total available-for-sale securities	10,642	10,709
Total cash and securities	$ 22,623	$ 22,847

(a) Includes intersegment eliminations.

Management's Discussion and Analysis

Risk Management

Managing the risk to reward trade-off is a fundamental component of operating our businesses. Our risk management process is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage the risk to be within our risk appetite. Ally's primary risks include credit, market, lease residual, operational, liquidity, country and legal and compliance risk. For more information on our risk management process, refer to the Risk Management MD&A section of our 2011 Annual Report on Form 10-K.

Loan and Lease Exposure

The following table summarizes the exposures from our loan and lease activities.

($ in millions)	**March 31, 2012**	December 31, 2011
Finance receivables and loans		
Global Automotive Services	$ **106,321**	$ 100,734
Mortgage operations	**12,208**	12,753
Corporate and Other	**1,289**	1,268
Total finance receivables and loans	**119,818**	114,755
Held-for-sale loans		
Global Automotive Services	**623**	425
Mortgage operations	**6,047**	8,112
Corporate and Other	**—**	20
Total held-for-sale loans	**6,670**	8,557
Total on-balance sheet loans	$ **126,488**	$ 123,312
Off-balance sheet securitized loans		
Global Automotive Services	$ **—**	$ —
Mortgage operations	**316,846**	326,975
Corporate and Other	**—**	—
Total off-balance sheet securitized loans	$ **316,846**	$ 326,975
Operating lease assets		
Global Automotive Services	$ **10,048**	$ 9,275
Mortgage operations	**—**	—
Corporate and Other	**—**	—
Total operating lease assets	$ **10,048**	$ 9,275
Serviced loans and leases		
Global Automotive Services	$ **127,545**	$ 122,881
Mortgage operations (a)	**343,904**	356,430
Corporate and Other	**1,709**	1,762
Total serviced loans and leases	$ **473,158**	$ 481,073

(a) Includes primary mortgage loan-servicing portfolio only.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing pricing, unemployment levels, and its impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we originate or purchase. Loans that we do not intend to retain are sold to investors, primarily securitizations guaranteed by GSEs. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a borrower in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate the risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses and have committees in place to oversee all aspects of the credit decisioning and management processes. The Ally Global Credit Risk Committee (GCRC) is chaired by the Chief Risk Officer and is responsible for identifying, measuring, monitoring, and controlling the credit risks while also permitting acceptable variations for a specific line of business with proper approval. The GCRC reports to the Ally Risk and Compliance Committee (RCC), which is chaired by an

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independent member of the Board. The Global Risk organization is responsible for managing credit risk exposures in a safe-and-sound manner within the guidelines and targets jointly approved by the GCRC and RCC. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit risk portfolios and credit risk management practices by directly reporting its findings to the RCC on recurring basis.

We have policies and practices that are committed to maintaining an independent and ongoing assessment of credit risk and quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, and assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. Our business is primarily focused on consumer automobile loans and leases and mortgage loans in addition to automobile-related commercial lending. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we may take part in loan sales and syndications.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the due date, extending payments, and rewriting the loan terms. We have implemented these actions with the intent to provide the borrower with additional options in lieu of repossessing their vehicle. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers.

During the first three months of 2012, the U.S. economy continued to expand modestly and the labor market further recovered. Within the U.S. automotive and mortgage portfolios, encouraging trends include increased industry sales and strong pricing in used vehicles. We continue to be cautious due to higher average gasoline prices and their effect on automobile sales and the uncertainty emanating from weaker economic growth in Europe and other key international markets. However, we have seen signs of economic stabilization in housing, and have also seen improvement in our loan portfolio as a result of our proactive credit risk initiatives.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At March 31, 2012, this primarily included $ 107.0 billion of automobile finance receivables and loans and $ 18.3 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Condensed Consolidated Statement of Comprehensive Income.

During the three months ended March 31, 2012, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information.

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The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 77,172	$ 73,452	$ 543	$ 567	$ 4	$ 4
Loans at fair value	832	835	214	210	—	—
Total finance receivables and loans	78,004	74,287	757	777	4	4
Loans held-for-sale	6,670	8,537	2,768	2,820	73	73
Total consumer loans	84,674	82,824	3,525	3,597	77	77
Commercial						
Finance receivables and loans						
Loans at historical cost	41,814	40,468	302	339	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	41,814	40,468	302	339	—	—
Loans held-for-sale	—	20	—	—	—	—
Total commercial loans	41,814	40,488	302	339	—	—
Total on-balance sheet loans	$ 126,488	$ 123,312	$ 3,827	$ 3,936	$ 77	$ 77

(a) Includes nonaccrual troubled debt restructured loans of $1.0 billion and $934 million at March 31, 2012, and December 31, 2011, respectively.
(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes troubled debt restructured loans classified as 90 days past due and still accruing of $45 million and $42 million at March 31, 2012 , and December 31, 2011 , respectively.

Total on-balance sheet loans outstanding at March 31, 2012, increased $3.2 billion to $126.5 billion from December 31, 2011 reflecting an increase of $1.9 billion in the consumer portfolio and a increase of $1.3 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding was primarily driven by strong automobile consumer loan originations which outpaced portfolio runoff and higher dealer floorplan loans, both primarily due to increased automotive industry sales.

The total TDRs outstanding at March 31, 2012, increased $207 million to $2.2 billion from December 31, 2011. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at March 31, 2012, decreased $109 million to $3.8 billion from December 31, 2011, reflecting a decrease of $72 million of consumer nonperforming loans and a decrease of $37 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011, was largely due to seasonal improvements within our consumer mortgage portfolio and continued improvement in the performance of our commercial automobile dealers.

The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	2012	2011	2012	2011
Consumer				
Finance receivables and loans at historical cost	$ 117	$ 169	0.6 %	1.0%
Commercial				
Finance receivables and loans at historical cost	(10)	20	(0.1)	0.2
Total finance receivables and loans at historical cost	$ 107	$ 189	0.4	0.7

(a) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs were $107 million for the three months ended March 31, 2012, compared to $189 million for the three months ended March 31, 2011. This decline was primarily due to reduced net charge-offs in the consumer automobile portfolio. Loans held-for-sale are

Management's Discussion and Analysis

accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

During the three months ended March 31, 2012 , the credit performance of the consumer portfolio continued to improve overall as our nonperforming finance receivables and loans and charge-offs declined. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	Outstanding		**Nonperforming (a)**		**Accruing past due 90 days or more (b)**	
($ in millions)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Domestic						
Consumer automobile	**$ 49,444**	$ 46,576	**$ 135**	$ 139	**$ —**	$ —
Consumer mortgage						
1st Mortgage	**6,929**	6,867	**238**	258	**1**	1
Home equity	**3,020**	3,102	**52**	58	**—**	—
Total domestic	**59,393**	56,545	**425**	455	**1**	1
Foreign						
Consumer automobile	**17,770**	16,883	**110**	89	**3**	3
Consumer mortgage						
1st Mortgage	**9**	24	**8**	23	**—**	—
Home equity	**—**	—	**—**	—	**—**	—
Total foreign	**17,779**	16,907	**118**	112	**3**	3
Total consumer finance receivables and loans	**$ 77,172**	$ 73,452	**$ 543**	$ 567	**$ 4**	$ 4

(a) Includes nonaccrual troubled debt restructured loans of $170 million and $180 million at March 31, 2012, and December 31, 2011, respectively.
(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at March 31, 2012, and December 31, 2011.

Total consumer outstanding finance receivables and loans increased $3.7 billion at March 31, 2012 compared with December 31, 2011 . This increase was driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales.

Total consumer nonperforming finance receivables and loans at March 31, 2012 , decreased $24 million to $543 million from December 31, 2011 , reflecting a decrease of $42 million of consumer mortgage nonperforming finance receivables and loans and an increase of $18 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to seasonal improvements. Nonperforming consumer automotive finance receivables and loans increased largely due to economic stresses in certain areas in Latin America. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.7% and 0.8% at March 31, 2012 and December 31, 2011 , respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased $240 million to $543 million at March 31, 2012 , compared with December 31, 2011 , primarily due to seasonality.

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The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Three months ended March 31,			
	Net charge-offs		Net charge-off ratios (a)	
($ in millions)	2012	2011	2012	2011
Domestic				
Consumer automobile	$ 54	$ 89	0.4%	1.0%
Consumer mortgage				
1st Mortgage	23	36	1.4	2.1
Home equity	20	21	2.6	2.5
Total domestic	97	146	0.7	1.2
Foreign				
Consumer automobile	20	23	0.4	0.6
Consumer mortgage				
1st Mortgage	—	—	—	—
Home equity	—	—	—	—
Total foreign	20	23	0.5	0.5
Total consumer finance receivables and loans	$ 117	$ 169	0.6	1.0

(a) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from total consumer automobile finance receivables and loans decreased $38 million for the three months ended March 31, 2012, compared to the same period in 2011. The decrease in net charge-offs was primarily due to lower loss frequency reflecting the modest U.S. economic improvements and reduced loss severity due to strong used vehicle pricing.

Our net charge-offs from total consumer mortgage receivables and loans were $43 million for the three months ended March 31, 2012, compared to $57 million for the same period in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

The following table summarizes the unpaid principal balance of total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans and loans held-for-sale during the period.

	Three months ended March 31,	
($ in millions)	2012	2011
Domestic		
Consumer automobile	$ 8,108	$ 9,384
Consumer mortgage		
1st Mortgage	8,596	11,847
Home equity	—	—
Total domestic	16,704	21,231
Foreign		
Consumer automobile	2,544	2,064
Consumer mortgage		
1st Mortgage	—	312
Home equity	—	—
Total foreign	2,544	2,376
Total consumer loan originations	$ 19,248	$ 23,607

Total domestic automobile-originated loans decreased $1.3 billion for the three months ended March 31, 2012, respectively, compared to the same period in 2011, primarily due to lower retail penetration and manufacturer incentives at both GM and Chrysler.

Total domestic mortgage-originated loans decreased $3.3 billion for the three months ended March 31, 2012. The decrease for the three months ended March 31, 2012 was driven by the reduction in correspondent lending.

Management's Discussion and Analysis

Consumer loan originations retained on-balance sheet as held-for-investment were $11.1 billion for the three months ended March 31, 2012 , and $11.8 billion for the three months ended March 31, 2011 . The decrease was primarily due to lower retail penetration and manufacturer incentives at both GM and Chrysler.

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were $67.2 billion and $63.5 billion at March 31, 2012 , and December 31, 2011 , respectively. Total mortgage and home equity loans were $10.0 billion at both March 31, 2012 , and December 31, 2011 .

	March 31, 2012 (a)		December 31, 2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	9.5%	5.7%	9.5%	5.5%
California	4.4	26.4	4.6	25.7
Florida	4.8	3.9	4.8	4.0
Michigan	3.9	4.7	4.0	4.8
Pennsylvania	3.6	1.6	3.6	1.6
Illinois	3.1	4.9	3.1	5.0
New York	3.5	2.2	3.5	2.3
Ohio	2.9	1.0	2.9	1.0
Georgia	2.5	1.8	2.5	1.8
North Carolina	2.2	2.0	2.2	2.1
Other United States	33.0	45.7	32.9	45.9
Canada	11.4	—	11.8	0.2
Brazil	4.8	—	4.7	—
Germany	4.1	—	4.3	—
Other foreign	6.3	0.1	5.6	0.1
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at March 31, 2012.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 16.3% of our total outstanding consumer finance receivables and loans at March 31, 2012.

Concentrations in our Mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been the most severe.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

Repossessed assets in our Automotive Finance operations at March 31, 2012, decreased $4 million to $52 million from December 31, 2011. Foreclosed mortgage assets at March 31, 2012, decreased $9 million to $68 million from December 31, 2011.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser-rate mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. Given the continued stress within the housing market, we believe this hierarchy provides the most relevant risk assessment of our nontraditional products.

Management's Discussion and Analysis

The following table summarizes mortgage finance receivables and loans by higher-risk loan type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

($ in millions)	Outstanding		Nonperforming		Accruing past due 90 days or more	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Interest-only mortgage loans (a)	$ 2,828	$ 2,947	$ 130	$ 147	$ —	$ —
Below-market rate (teaser) mortgages	240	248	6	6	—	—
Total higher-risk mortgage loans	$ 3,068	$ 3,195	$ 136	$ 153	$ —	$ —

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

The allowance for loan losses was $153 million or 4.98% of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loans losses at March 31, 2012 .

The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

($ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	All higher-risk mortgage loans
March 31, 2012			
California	$ 708	$ 76	$ 784
Virginia	270	11	281
Maryland	208	6	214
Michigan	194	8	202
Illinois	148	7	155
Other United States	1,300	132	1,432
Total higher-risk mortgage loans	$ 2,828	$ 240	$ 3,068
December 31, 2011			
California	$ 748	$ 78	$ 826
Virginia	274	10	284
Maryland	217	6	223
Michigan	199	9	208
Illinois	153	8	161
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	$ 2,947	$ 248	$ 3,195

Management's Discussion and Analysis

Commercial Credit Portfolio

During the three months ended March 31, 2012 , the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Domestic						
Commercial and industrial						
Automobile	**$ 28,197**	$ 26,552	**$ 109**	$ 105	**$ —**	$ —
Mortgage	**1,377**	1,887	**—**	—	**—**	—
Other (c)	**1,204**	1,178	**21**	22	**—**	—
Commercial real estate						
Automobile	**2,372**	2,331	**49**	56	**—**	—
Mortgage	**—**	—	**—**	—	**—**	—
Total domestic	**33,150**	31,948	**179**	183	**—**	—
Foreign						
Commercial and industrial						
Automobile	**8,407**	8,265	**65**	118	**—**	—
Mortgage	**26**	24	**26**	—	**—**	—
Other (c)	**56**	63	**12**	15	**—**	—
Commercial real estate						
Automobile	**160**	154	**5**	11	**—**	—
Mortgage	**15**	14	**15**	12	**—**	—
Total foreign	**8,664**	8,520	**123**	156	**—**	—
Total commercial finance receivables and loans	**$ 41,814**	$ 40,468	**$ 302**	$ 339	**$ —**	$ —

(a) Includes nonaccrual troubled debt restructured loans of $52 million and $21 million at March 31, 2012, and December 31, 2011, respectively.
(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at March 31, 2012 and December 31, 2011.
(c) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding increased $1.3 billion to $41.8 billion at March 31, 2012, from December 31, 2011. Commercial and industrial outstandings increased $1.3 billion primarily due to increased automotive industry sales and corresponding rise in inventories partially offset by mortgage warehouse lending declines in line utilization due to seasonality.

Total commercial nonperforming finance receivables and loans were $302 million at March 31, 2012, a decrease of $37 million compared to December 31, 2011, primarily due to improvement in dealer performance and continued wind-down on non-core commercial assets. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 0.7% and 0.8% at March 31, 2012, and December 31, 2011, respectively.

Management's Discussion and Analysis

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	2012	2011	2012	2011
Domestic				
Commercial and industrial				
Automobile	$ —	$ 2	— %	n/m
Mortgage	—	2	—	0.8
Other	(5)	(2)	(1.5)	(0.5)
Commercial real estate				
Automobile	—	(1)	—	(0.2)
Mortgage	—	(1)	—	n/m
Total domestic	(5)	—	(0.1)	—
Foreign				
Commercial and industrial				
Automobile	—	2	—	0.1
Mortgage	—	1	—	9.7
Other	(4)	3	(28.8)	4.3
Commercial real estate				
Automobile	—	—	—	—
Mortgage	(1)	14	(22.6)	78.4
Total foreign	(5)	20	(0.2)	0.9
Total commercial finance receivables and loans	$ (10)	$ 20	(0.1)	0.2

n/m = not meaningful

(a) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from commercial finance receivables and loans resulted in recoveries of $10 million for the three months ended March 31, 2012, compared to net charge-offs of $20 million for the same period in 2011. The decrease in net charge-offs were largely driven by an improved mix of loans in the existing portfolio and strong recoveries in certain wind-down portfolios.

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Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans remained flat at $2.5 billion at March 31, 2012, and December 31, 2011.

The following table presents the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	March 31, 2012	December 31, 2011
Geographic region		
Michigan	12.7%	14.1%
Texas	12.5	12.4
Florida	12.4	12.4
California	9.4	9.3
Virginia	4.0	4.1
New York	3.3	3.5
Pennsylvania	2.9	2.9
Alabama	2.5	2.6
Georgia	2.5	2.5
North Carolina	2.1	2.1
Other United States	28.9	27.5
Canada	3.8	3.5
United Kingdom	1.7	1.8
Mexico	1.0	1.0
Other foreign	0.3	0.3
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	99.4%	99.4%
Other	0.6	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	March 31, 2012	December 31, 2011
Industry		
Automotive	83.0%	82.9%
Banks and finance companies	4.3	4.2
Real Estate	3.6	4.5
Other	9.1	8.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures declined $97 million to $3.0 billion at March 31, 2012 from December 31, 2011, primarily due to improvements in the automotive industry as well as the continued wind-down of commercial assets in the real estate industry.

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Allowance for Loan Losses

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Three months ended March 31, 2012 (*$ in millions*)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	$ 766	$ 516	$ 1,282	$ 221	$1,503
Charge-offs					
Domestic	(100)	(45)	(145)	(2)	(147)
Foreign	(36)	—	(36)	—	(36)
Total charge-offs	(136)	(45)	(181)	(2)	(183)
Recoveries					
Domestic	46	2	48	7	55
Foreign	16	—	16	5	21
Total recoveries	62	2	64	12	76
Net charge-offs	(74)	(43)	(117)	10	(107)
Provision for loan losses	133	28	161	(21)	140
Other	7	—	7	3	10
Allowance at March 31, 2012	$ 832	$ 501	$ 1,333	$ 213	$1,546
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2012 (a)	1.2%	5.0%	1.7%	0.5 %	1.3%
Net charge-offs to average finance receivables and loans outstanding at March 31, 2012 (a)	0.5%	1.7%	0.6%	(0.1)%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2012 (a)	339.2%	168.2%	245.4%	70.5 %	182.9%
Ratio of allowance for loans losses to net charge-offs at March 31, 2012	2.8	2.9	2.9	(5.4)	3.6

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Three months ended March 31, 2011 (*$ in millions*)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$1,873
Charge-offs					
Domestic	(139)	(60)	(199)	(6)	(205)
Foreign	(42)	—	(42)	(31)	(73)
Total charge-offs	(181)	(60)	(241)	(37)	(278)
Recoveries					
Domestic	50	3	53	6	59
Foreign	19	—	19	11	30
Total recoveries	69	3	72	17	89
Net charge-offs	(112)	(57)	(169)	(20)	(189)
Provision for loan losses	53	40	93	20	113
Other	5	—	5	4	9
Allowance at March 31, 2011	$ 916	$ 563	$ 1,479	$ 327	$1,806
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2011 (a)	1.6%	5.3%	2.2%	0.8%	1.7%
Net charge-offs to average finance receivables and loans outstanding at March 31, 2011 (a)	0.8%	2.1%	1.0%	0.2%	0.7%
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2011 (a)	488.9%	136.7%	246.7%	50.7%	145.2%
Ratio of allowance for loans losses to net charge-offs at March 31, 2011	2.0	2.5	2.2	4.1	2.4

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

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The allowance for consumer loan losses at March 31, 2012, declined $146 million compared to March 31, 2011. The decline reflected overall improved credit quality of newer vintages combined with the run-off of legacy vintages, which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses declined $114 million at March 31, 2012, compared to March 31, 2011, primarily related to ongoing strength in dealer performance and the continued wind-down of non-core commercial assets.

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

March 31, ($ *in millions*)	2012 Allowance for loan losses	2012 Allowance as a % of loans outstanding	2012 Allowance as a % of allowance for loan losses	2011 Allowance for loan losses	2011 Allowance as a % of loans outstanding	2011 Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 628	1.3%	40.6%	$ 727	1.8%	40.2%
Consumer mortgage						
1st Mortgage	262	3.8	16.9	304	4.4	16.8
Home equity	236	7.8	15.3	258	7.7	14.3
Total domestic	1,126	1.9	72.8	1,289	2.6	71.3
Foreign						
Consumer automobile	204	1.1	13.2	189	1.1	10.5
Consumer mortgage						
1st Mortgage	3	38.6	0.2	1	0.3	0.1
Home equity	—	—	—	—	—	—
Total foreign	207	1.2	13.4	190	1.1	10.6
Total consumer loans	1,333	1.7	86.2	1,479	2.2	81.9
Commercial						
Domestic						
Commercial and industrial						
Automobile	62	0.2	4.0	70	0.3	3.9
Mortgage	1	—	0.1	—	—	—
Other	49	4.1	3.2	92	5.7	5.1
Commercial real estate						
Automobile	35	1.5	2.2	54	2.6	3.0
Mortgage	—	—	—	—	—	—
Total domestic	147	0.4	9.5	216	0.7	12.0
Foreign						
Commercial and industrial						
Automobile	46	0.5	3.0	63	0.7	3.5
Mortgage	11	43.8	0.7	15	37.0	0.8
Other	1	1.2	0.1	28	9.3	1.5
Commercial real estate						
Automobile	3	1.7	0.2	2	0.8	0.1
Mortgage	5	34.3	0.3	3	6.4	0.2
Total foreign	66	0.8	4.3	111	1.1	6.1
Total commercial loans	213	0.5	13.8	327	0.8	18.1
Total allowance for loan losses	$ 1,546	1.3	100.0%	$ 1,806	1.7	100.0%

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Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

	Three months ended March 31,	
($ in millions)	2012	2011
Consumer		
Domestic		
Consumer automobile	$ 83	$ 46
Consumer mortgage		
1st Mortgage	10	17
Home equity	18	23
Total domestic	111	86
Foreign		
Consumer automobile	50	7
Consumer mortgage		
1st Mortgage	—	—
Home equity	—	—
Total foreign	50	7
Total consumer loans	161	93
Commercial		
Domestic		
Commercial and industrial		
Automobile	—	—
Mortgage	—	1
Other	(7)	(8)
Commercial real estate		
Automobile	(5)	(1)
Mortgage	—	—
Total domestic	(12)	(8)
Foreign		
Commercial and industrial		
Automobile	(4)	31
Mortgage	—	1
Other	(4)	(9)
Commercial real estate		
Automobile	—	—
Mortgage	(1)	5
Total foreign	(9)	28
Total commercial loans	(21)	20
Total provision for loan losses	$ 140	$ 113

Management's Discussion and Analysis

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities and assets held-for-sale. We are primarily exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate fluctuations. Refer to Note 19 to the Condensed Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Since December 31, 2011 , there have been no material changes in these market risks. Refer to our Annual Report on Form 10-K for the year ended December 31, 2011 , Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis.

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Management's Discussion and Analysis

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, currency, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, whole-loan asset sales, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could negatively impact the cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's ability to meet cash flow obligations that are uncertain as they are affected by external events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to the solvency of these same financial institutions.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank and ResMor Trust, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline projected economic scenarios as well as more severe economically stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

Ally uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer- term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At March 31, 2012, we maintained $24.5 billion of total available parent company liquidity and $13.5 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank from time to time under an intercompany loan agreement. At March 31, 2012, $3.0 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank in the above amounts.

In December 2010, the Basel Committee on Banking Supervision issued "Basel III: International framework for liquidity risk measurement, standards and monitoring", which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR measures the ratio of stable funding with a maturity greater than one year to the liquidity characteristics of assets plus contingent exposures. The Basel Committee on Banking Supervision expects the LCR to be implemented beginning in January 2015 and the NSFR beginning in January 2018. We continue to monitor the potential impacts of these developments and expect to be able to meet the final requirements.

Funding Strategy

Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets and raising deposits. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, public and private asset-backed securitizations, whole-loan asset sales, domestic and international committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

The FDIC indicated that it expected us to diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding

Management's Discussion and Analysis

and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by expanding public and private securitization programs, extending the maturity profile of our brokered deposit portfolio while not exceeding a $10 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our automotive finance and mortgage loan operations with a stable and low-cost funding source. At March 31, 2012, Ally Bank had $41.5 billion of total external deposits, including $29.3 billion of retail deposits.

At March 31, 2012, Ally Bank maintained cash liquidity of $4.4 billion and highly liquid U.S. federal government and U.S. agency securities of $5.4 billion, excluding certain securities that were encumbered at March 31, 2012. In addition, at March 31, 2012, Ally Bank had unused capacity in committed secured funding facilities of $6.7 billion, including an equal allocation of shared unused capacity of $3.8 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of savings products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an online checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first three months of 2012, the deposit base at Ally Bank grew $1.9 billion, ending the quarter at $41.5 billion from $39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio. Strong retention rates continue to materially contribute to our growth in retail deposits. In the first quarter of 2012, we retained 91% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At March 31, 2012, debt outstanding from the FHLB totaled $5.0 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term. Funding from repurchase agreements is accounted for as debt on our Condensed Consolidated Balance Sheet. At March 31, 2012, Ally Bank had $561 million of debt outstanding under repurchase agreements.

Refer to Note 13 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2011.

($ in millions)	**1st Quarter 2012**	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
Number of retail accounts	**1,036,468**	976,877	919,670	851,991	798,622
Deposits					
Retail	**$ 29,323**	$ 27,685	$ 26,254	$ 24,562	$ 23,469
Brokered	**9,884**	9,890	9,911	9,903	9,836
Other (a)	**2,314**	2,029	2,704	2,405	2,064
Total deposits	**$ 41,521**	$ 39,604	$ 38,869	$ 36,870	$ 35,369

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the first quarter of 2012 , Ally Bank completed three public term securitization transactions and raised $4.2 billion of secured funding backed by retail automotive loans as well as dealer floorplan automotive loans. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail automotive loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset making a very effective funding program. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At March 31, 2012 , Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a $3.9 billion committed facility that is shared with the parent company.

Management's Discussion and Analysis

Nonbank Funding

At March 31, 2012, the parent company maintained cash liquidity in the amount of $6.8 billion and available liquidity from unused capacity in committed credit facilities of $14.5 billion, including an equal allocation of shared unused capacity of $3.8 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. The unused capacity amount at March 31, 2012 also includes $2.5 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next twelve months. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings.

In the first three months of 2012, we completed a total of $1.0 billion in funding through the debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a retail debt program known as SmartNotes. SmartNotes are generally fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $8.9 billion and $9.0 billion of SmartNotes outstanding at March 31, 2012, and December 31, 2011, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $3.0 billion at March 31, 2012, compared to $2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At March 31, 2012, we had $5.0 billion in short-term unsecured debt outstanding, an increase of $0.5 billion from December 31, 2011. Refer to Note 14 and Note 15 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. In the first quarter, the parent company completed automotive-related transactions that included a $516 million public term securitization in Canada, the renewal and extension of $8.3 billion of committed secured funding capacity and the creation of incremental private secured funding capacity totaling $492 million. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a $7.5 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. On March 19, 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At March 31, 2012, the parent company had $27.5 billion of commitments globally in various facilities secured by automotive assets.

Recent Funding Developments

During the first three months of 2012, we completed funding transactions totaling $7 billion and we renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 were as follows:

- In February 2012, we accessed the unsecured debt capital markets for the first time since the first half of 2011 and raised $1.0 billion.
- In the first three months of 2012, we have continued to access the public asset backed securitization markets completing three U.S. transactions that raised $4.2 billion and a Canadian transaction that raised $516 million . Also, in April we completed a fourth U.S. transaction that provided an incremental $625 million of funding, as well as our first-ever public European dealer floorplan automotive securitization that raised $646 million .
- We created $492 million of new private capacity to fund automotive assets as well as $450 million of private funding capacity for mortgage servicer advances.
- We renewed and extended $16.4 billion of key automotive funding facilities and $508 million of private capacity that funds our Mortgage operations. The automotive facility renewal amount includes the March 2012 refinancing of $15.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The $15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate $7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Ally Bank. After the refinancing, half of the capacity matures in March 2013 and the other half matures in March 2014.

Management's Discussion and Analysis

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2012 from 2011 levels. In addition, deposits represent a larger portion of the overall funding mix.

($ in millions)	Bank	Nonbank	Total	%
March 31, 2012				
Secured financings	$ 27,133	$ 24,933	$ 52,066	35
Institutional term debt	—	23,036	23,036	16
Retail debt programs (a)	—	14,289	14,289	10
Temporary Liquidity Guarantee Program (TLGP)	—	7,400	7,400	5
Bank loans and other	562	2,898	3,460	2
Total debt (b)	27,695	72,556	100,251	68
Deposits (c)	41,521	5,685	47,206	32
Total on-balance sheet funding	$ 69,216	$ 78,241	$ 147,457	100
Off-balance sheet securitizations				
Mortgage loans	$ —	$ 58,390	$ 58,390	
Total off-balance sheet securitizations	$ —	$ 58,390	$ 58,390	
December 31, 2011				
Secured financings	$ 25,533	$ 27,432	$ 52,965	37
Institutional term debt	—	22,456	22,456	15
Retail debt programs (a)	—	14,148	14,148	10
Temporary Liquidity Guarantee Program (TLGP)	—	7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	$ 65,138	$ 79,328	$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	$ —	$ 60,630	$ 60,630	
Total off-balance sheet securitizations	$ —	$ 60,630	$ 60,630	

(a) Primarily includes $8.9 billion and $9.0 billion of Ally SmartNotes at March 31, 2012 and December 31, 2011, respectively.
(b) Excludes fair value adjustment as described in Note 15 to the Condensed Consolidated Financial Statements.
(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer wholesale deposits and deposits at ResMor Trust. Intercompany deposits are not included.

Refer to Note 15 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at March 31, 2012.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At March 31, 2012, $32.5 billion of our $42.9 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2012, we had $18.2 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

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Committed Funding Facilities

($ in billions)	Outstanding Mar. 31, 2012	Outstanding Dec. 31, 2011	Unused capacity (a) Mar. 31, 2012	Unused capacity (a) Dec. 31, 2011	Total capacity Mar. 31, 2012	Total capacity Dec. 31, 2011
Bank funding						
Secured	$ 4.7	$ 5.8	$ 4.8	$ 3.7	$ 9.5	$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	0.5	0.3	0.4	0.5	0.9	0.8
Secured						
Automotive Finance operations (b)	13.9	14.3	13.6	13.2	27.5	27.5
Mortgage operations	0.9	0.7	0.2	0.5	1.1	1.2
Total nonbank funding	15.3	15.3	14.2	14.2	29.5	29.5
Shared capacity (c)	0.1	1.6	3.8	2.5	3.9	4.1
Total committed facilities	$ 20.1	$ 22.7	$ 22.8	$ 20.4	$ 42.9	$ 43.1

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unused capacity includes $4.0 billion as of March 31, 2012, and $4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.

(c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

($ in billions)	Outstanding Mar. 31, 2012	Outstanding Dec. 31, 2011	Unused capacity Mar. 31, 2012	Unused capacity Dec. 31, 2011	Total capacity Mar. 31, 2012	Total capacity Dec. 31, 2011
Bank funding						
Secured						
Federal Reserve funding programs	$ —	$ —	$ 2.9	$ 3.2	$ 2.9	$ 3.2
FHLB advances	5.0	5.4	0.3	—	5.3	5.4
Repurchase agreements	0.6	—	—	—	0.6	—
Total bank funding	5.6	5.4	3.2	3.2	8.8	8.6
Nonbank funding						
Unsecured						
Automotive Finance operations	2.2	1.9	0.4	0.5	2.6	2.4
Secured						
Automotive Finance operations	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.3	2.0	0.5	0.7	2.8	2.7
Total uncommitted facilities	$ 7.9	$ 7.4	$ 3.7	$ 3.9	$ 11.6	$ 11.3

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations — Secured

At March 31, 2012 , Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank's largest facility is a $7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we successfully renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At March 31, 2012 , the amount outstanding under this facility was $3.9 billion . Ally Bank also had access to a $3.9 billion committed facility that is shared with the parent company. In the event these facilities are not renewed, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Nonbank Funding Facilities

Facilities for Automotive Finance Operations — Unsecured

Revolving credit facilities — At March 31, 2012, we maintained $486 million of commitments in our U.S. unsecured revolving credit

Management's Discussion and Analysis

facility maturing June 2012. We also maintained $273 million of committed unsecured bank facilities in Canada and $113 million in Europe. The Canadian facilities expire in June 2012 and the European facilities expire in March 2013.

Facilities for Automotive Finance Operations — Secured

The parent company's largest facility is a $7.5 billion revolving syndicated credit facility secured by U.S. and Canadian automotive receivables. During the first quarter of 2012, we successfully renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At March 31, 2012, there was no debt outstanding under this facility. Subsequently, in early April, we borrowed $3.8 billion under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At March 31, 2012, the parent company maintained exclusive access to $27.5 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a $3.9 billion committed facility that is shared with Ally Bank.

Facilities for Mortgage Operations — Secured

At March 31, 2012, we had capacity of $158 million to fund eligible mortgage servicing rights and capacity of $925 million to fund mortgage servicer advances.

Cash Flows

Net cash provided by operating activities was $2.1 billion for the three months ended March 31, 2012, compared to $3.0 billion for the same period in 2011. During the three months ended March 31, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by $1.5 billion. During the three months ended March 31, 2011, this activity resulted in a net cash inflow of $3.2 billion.

Net cash used in investing activities was $4.1 billion for the three months ended March 31, 2012, compared to $3.6 billion for the same period in 2011. The net cash outflow from finance receivables and loans increased $0.2 billion for the three months ended March 31, 2012, compared to the same period in 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $1.0 billion for the three months ended March 31, 2012, compared to a net cash outflow of $51 million for the three months ended March 31, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales and maturities of available-for-sale investment securities, net of purchases, increased $0.9 billion during the three months ended March 31, 2012, compared to the same period in 2011.

Net cash provided by financing activities for the three months ended March 31, 2012, totaled $2.1 billion, compared to $2.2 billion in the same period in 2011. Cash generated from long-term debt issuances exceeded cash used to repay such debt by $0.7 billion for the three months ended March 31, 2012, compared to $0.6 billion for the same period in 2011.

Capital Planning and Stress Tests

As a bank holding company with $50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review. The FRB objected to Ally's capital plan; however, the FRB did provide notice of non-objection to Ally's planned preferred dividends and interest on the trust preferred securities and subordinated debt. Ally will submit a revised capital plan in mid-June, as required. It is unknown whether the FRB will accept Ally's revised plan as submitted or require further revisions.

Regulatory Capital

Refer to Note 18 to the Condensed Consolidated Financial Statements.

Management's Discussion and Analysis

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody's	Not-Prime	B1	Stable	February 7, 2011 (b)
S&P	C	B+	Stable	May 4, 2011 (c)
DBRS	R-4	BB-Low	Positive	February 4, 2011 (d)

(a) Fitch placed our senior debt on Rating Watch Negative due to potential negative implications if ResCap were placed into bankruptcy and affirmed the short term rating of B on April 18, 2012.
(b) Moody's upgraded our senior debt rating to B1 from B3, affirmed the short-term rating of Not-Prime, and affirmed the outlook of Stable on February 7, 2011.
(c) Standard & Poor's upgraded our senior debt rating to B+ from B, affirmed the short-term rating of C, and affirmed the outlook of Stable on May 4, 2011.
(d) DBRS affirmed our senior debt rating of BB-Low, affirmed the short-term rating of R-4, and changed the outlook to Positive on February 4, 2011.

Off-balance Sheet Arrangements

Refer to Note 10 to the Condensed Consolidated Financial Statements .

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

Overview

Certain mortgage companies (Mortgage Companies) within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies' private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has guaranteed Ally Bank coverage of certain of these liabilities.

Originations

The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010. Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

Management's Discussion and Analysis

The following table summarizes domestic mortgage loans sold with contractual representation and warranty obligations by the type of investor (original unpaid principal balance).

	Three months ended March 31,	Year ended December 31,							
($ in billions)	2012	2011	2010	2009	2008	2007	2006	2005	2004
GSEs									
Fannie Mae	$ 5.7	$ 33.9	$ 35.3	$ 21.2	$ 24.9	$ 31.6	$ 33.5	$ 31.8	$ 30.5
Freddie Mac	2.5	15.8	15.7	8.7	12.3	15.5	12.6	16.1	13.7
Ginnie Mae	1.9	8.1	16.2	24.9	12.5	3.2	3.6	4.2	4.8
Private-label securitizations									
Insured (monolines)	—	—	—	—	—	6.5	10.7	10.4	15.1
Uninsured	—	—	0.3	—	—	29.1	63.6	53.5	35.9
Whole-loan/other	0.1	0.4	1.6	0.1	2.2	8.2	23.9	17.4	10.9
Total sales	$ 10.2	$ 58.2	$ 69.1	$ 54.9	$ 51.9	$ 94.1	$ 147.9	$ 133.4	$ 110.9

Repurchase Process

After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. The applicable Mortgage Companies actively contest claims to the extent they are not considered valid. The applicable Mortgage Companies are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

During the three months ended March 31, 2012, we experienced an increase in new claims compared to the same period in 2011, primarily due to an increase in repurchase requests relating to uninsured PLS. The following table presents new claims by vintage (original unpaid principal balance).

	Three months ended March 31,	
($ in millions)	2012	2011 (a)
2004 and prior period	$ 17	$ 7
2005	21	7
2006	95	15
2007	41	24
2008	44	25
Post 2008	35	53
Unspecified	—	2
Total claims	$ 253	$ 133

(a) Excludes certain populations where counterparties have requested additional documentation.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, the applicable Mortgage Companies bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Management's Discussion and Analysis

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The following table summarizes the unpaid principal balance on mortgage loans repurchased in connection with our representation and warranty obligations.

	Three months ended March 31,	
($ in millions)	2012	2011
GSEs	$ 19	$ 43
Private-label securitizations		
Insured (monolines)	4	—
Uninsured	—	—
Whole-loan/other	3	5
Total loan repurchases	$ 26	$ 48

The following table summarizes indemnification payments made in connection with our representation and warranty obligations.

	Three months ended March 31,	
($ in millions)	2012	2011
GSEs	$ 21	$ 15
Private-label securitizations		
Insured (monolines)	—	2
Uninsured	—	—
Whole-loan/other	6	—
Total indemnification payments	$ 27	$ 17

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

	March 31, 2012		December 31, 2011 (a)	
($ in millions)	Number of loans	Original UPB of loans	Number of loans	Original UPB of loans
GSEs	457	$ 89	357	$ 71
Insured PLS (monolines)	7,314	491	7,314	490
MBIA	4,826	382	4,608	369
FGIC	937	70	730	58
Other	294	78	38	7
Uninsured PLS	561	85	475	74
Whole-loan/other	14,389	1,195	13,522	1,069
Total number of loans and unpaid principal balance				

(a) Excludes certain populations where counterparties have requested additional documentation.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain of their private-label securitizations. Historically we have requested that most of the repurchase demands presented to us by both MBIA and FGIC be rescinded, consistent with the repurchase process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at the applicable Mortgage Companies. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

Management's Discussion and Analysis

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income . We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income . The repurchase reserve at March 31, 2012 , relates primarily to non-GSE exposure.

Government-sponsored Enterprises

Between 2004 and 2008, the applicable Mortgage Companies sold $250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the three months ended March 31, 2012, the applicable Mortgage Companies received repurchase claims relating to $128 million of original unpaid principal balance of which $93 million are associated with the 2004 through 2008 vintages. The remaining $35 million in repurchase claims relate to post-2008 vintages. During the three months ended March 31, 2012 , the applicable Mortgage Companies resolved claims with respect to $110 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to $60 million of original unpaid principal balance, and rescinded claims related to $50 million of original unpaid principal balance. The applicable Mortgage Companies' representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label mortgage-backed securities (MBS) in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $10.9 billion. For the three months ended March 31, 2012, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was $5 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was $2 million . These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) "non-loan-level" representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

Certain of our Mortgage Companies received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and Freddie Mac. The subpoenas relating to Fannie Mae investments have been withdrawn with prejudice. The FHFA indicated that documents provided in response to the remaining subpoenas will enable the FHFA to determine whether they believe issuers of private-label MBS are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any representation and warranty claims against us with respect to private-label securities subsequent to the settlement, they may well do so in the future. The FHFA has commenced securities and related common law fraud litigation against Ally and certain of our Mortgage Companies with respect to certain of Freddie Mac's private-label securities investments. Refer to the Legal Proceedings described in Note 24 to the Condensed Consolidated Financial Statements for additional information.

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third-party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $24.4 billion . For the three months ended March 31, 2012 , the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was $14 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was $10 million. These other specified categories include, among

others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our GSE exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (*$ in millions*)	**2012**	2011 (a)
Balance at January 1,	**$ 71**	$ 170
New claims	**128**	102
Resolved claims (b)	**(60)**	(133)
Rescinded claims/other	**(50)**	(41)
Balance at March 31,	**$ 89**	$ 98

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our securitization activities are less rigorous than those provided to the GSEs and generally impose higher burdens on parties seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally is required to coordinate with other investors in that class comprising not less than 25%, and in some cases, 50%, of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, certain of our Mortgage Companies have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that the applicable Mortgage Company repurchase loans or make the investor whole for losses incurred if it is determined that the applicable Mortgage Company violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute, as a matter of law, is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured Private-label Securitizations (Monolines)

Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, the Mortgage Companies sold $42.7 billion of loans into these monoline-wrapped securitizations. During the three months ended March 31, 2012 , the Mortgage Companies received repurchase claims related to $28 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to $2 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely. Refer to Note 24 to the Condensed Consolidated Financial Statements for information with respect to pending litigation.

Management's Discussion and Analysis

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our monoline exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (*$ in millions*)	2012	2011 (a)
Balance at January 1,	$ 917	$ 661
New claims	28	14
Resolved claims (b)	(2)	(8)
Rescinded claims/other	—	—
Balance at March 31,	$ 943	$ 667

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

The following table summarizes the original unpaid principal balance of our domestic insured private-label mortgage securitization activity issued from various shelf registration statements of our Mortgage Subsidiaries and its corresponding majority product type and current unpaid principal balance for securitizations completed during 2004 through 2007.

(*$ in billions*)	Original UPB	Current UPB at March 31, 2012	UPB at December 31, 2011
RFMSI (Prime)	$ 1.7	$ 0.5	$ 0.5
RALI (Option ARM and Alt-A)	1.4	0.6	0.6
RAMP (HELOC and Subprime)	26.5	6.0	6.3
RASC (Subprime)	3.6	0.6	0.6
RFMSII (HELOC)	9.5	2.0	2.1
Total	$ 42.7	$ 9.7	$ 10.1

Uninsured Private-label Securitizations

Historically, the applicable Mortgage Companies securitized loans where all or some of the related bonds were uninsured. These entities are required to make customary representations and warranties about the loans to the investor and/or securitization trust. Though particular application of the language is in dispute in various litigation, the contracts typically require claimants to demonstrate that an alleged breach of representations and warranties has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, the Mortgage Companies sold $182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. They historically were included within the Whole loan/other category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one uninsured PLS deal for loans originated in 2006 relating to $70 million of original unpaid principal balance. The Mortgage Companies are currently reviewing this repurchase request.

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our uninsured PLS exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (*$ in millions*)	2012	2011 (a)
Balance at January 1,	$ 8	$ 3
New claims	75	3
Resolved claims (b)	(4)	—
Rescinded claims/other	(1)	—
Balance at March 31,	$ 78	$ 6

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Management's Discussion and Analysis

Historically, our Mortgage operations were very active in the securitization market, selling whole loans into special-purpose entities and selling these private-label MBS to investors. The following table summarizes the original unpaid principal balance of our domestic uninsured private-label mortgage securitization activity issued from various shelf registration statements of our Mortgage Subsidiaries and its corresponding majority product type and current unpaid principal balance for securitizations completed during 2004 through 2007.

($ in billions)	Original UPB	Current UPB at March 31, 2012	UPB at December 31, 2011
RFMSI (Prime)	$ 21.8	$ 7.9	$ 8.3
RALI (Option ARM and Alt-A)	66.7	25.4	26.2
RAMP (HELOC and Subprime)	55.9 (a)	12.5	12.9
RASC (Subprime)	36.8	7.8	8.0
RFMSII (HELOC)	0.9	0.2	0.3
Total	$ 182.1	$ 53.8	$ 55.7

(a) RAMP original unpaid principal balance comprises $37.7 billion subprime, $8.8 billion prime, and $9.4 billion other.

Whole-loan Sales

In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the three months ended March 31, 2012, certain of our Mortgage Companies have received $22 million of original unpaid principal balance in repurchase claims, all of which are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to $10 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our whole-loan sales exposure.

Three months ended March 31, (*$ in millions*)	2012	2011 (a)
Balance at January 1,	$ 73	$ 85
New claims	22	13
Resolved claims (b)	(6)	(7)
Rescinded claims/other	(4)	(24)
Balance at March 31,	$ 85	$ 67

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance, they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, the applicable Mortgage Companies have approximately $173 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Private-label Mortgage-backed Securities Litigation, Repurchase Obligations, and Related Claims

We believe it is reasonably possible that losses beyond amounts currently reserved for the litigation matters described in Note 24 to the Condensed Consolidated Financial Statements and potential repurchase obligations and related claims with respect to our Mortgage Companies discussed above could occur, and such losses could have a material adverse impact on our results of operations, financial position, or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above reserves that have been established.

Management's Discussion and Analysis

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

- Fair value measurements
- Allowance for loan losses
- Valuation of automobile lease assets and residuals
- Valuation of mortgage servicing rights
- Goodwill
- Determination of reserves for insurance losses and loss adjustment expenses
- Legal and regulatory reserves
- Loan repurchase and obligations related to loan sales
- Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with Accounting Standards Codification 740, *Income Taxes*, there was a change in the methodologies and processes used in developing the provision for income taxes from what was described in our 2011 Annual Report on Form 10-K. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2011 Annual Report on Form 10-K.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 21 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 21 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

($ in millions)	March 31, 2012	December 31, 2011
Assets at fair value	$ 26,568	$ 30,172
As a percentage of total assets	14%	16%
Liabilities at fair value	$ 5,092	$ 6,299
As a percentage of total liabilities	3%	4%
Assets at fair value using Level 3 inputs	$ 4,570	$ 4,666
As a percentage of assets at fair value	17%	15%
Liabilities at fair value using Level 3 inputs	$ 875	$ 878
As a percentage of liabilities at fair value	17%	14%

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input

recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

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Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Net Interest Margin Table

The following table presents an analysis of net interest margin excluding discontinued operations for the periods shown.

	2012			2011			Increase (decrease) due to (a)		
Three months ended March 31, (*$ in millions*)	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/Rate	Total
Assets									
Interest-bearing cash and cash equivalents	$ 10,641	$ 14	0.53%	$ 13,041	$ 12	0.37%	$ (2)	$ 4	$ 2
Trading assets	990	11	4.47	318	3	3.83	7	1	8
Investment securities (c)	13,704	79	2.32	14,591	98	2.72	(6)	(13)	(19)
Loans held-for-sale, net	7,754	73	3.79	8,877	84	3.84	(11)	—	(11)
Finance receivables and loans, net (d)	117,482	1,678	5.74	104,385	1,621	6.30	193	(136)	57
Investment in operating leases, net (e)	9,649	247	10.30	8,947	385	17.45	28	(166)	(138)
Total interest-earning assets	160,220	2,102	5.28	150,159	2,203	5.95	209	(310)	(101)
Noninterest-bearing cash and cash equivalents	2,004			1,032					
Other assets	23,796			24,898					
Allowance for loan losses	(1,528)			(1,864)					
Total assets	$ 184,492			$ 174,225					
Liabilities									
Interest-bearing deposit liabilities	$ 44,796	$ 186	1.67%	$ 38,156	$ 166	1.76%	$ 28	$ (8)	$ 20
Short-term borrowings	6,905	75	4.37	7,107	92	5.25	(3)	(14)	(17)
Long-term debt (f) (g) (h)	91,558	1,177	5.17	87,060	1,406	6.55	70	(299)	(229)
Total interest-bearing liabilities (f) (g) (i)	143,259	1,438	4.04	132,323	1,664	5.10	95	(321)	(226)
Noninterest-bearing deposit liabilities	2,141			2,017					
Total funding sources (g) (j)	145,400	1,438	3.98	134,340	1,664	5.02			
Other liabilities	19,612			19,473					
Total liabilities	165,012			153,813					
Total equity	19,480			20,412					
Total liabilities and equity	$ 184,492			$ 174,225					
Net financing revenue		$ 664			$ 539		$ 114	$ 11	$ 125
Net interest spread (k)			1.24%			0.85%			
Net interest spread excluding original issue discount (k)			1.60			1.86			
Net interest spread excluding original issue discount and including noninterest bearing deposit liabilities (k)			1.65			1.92			
Net yield on interest-earning assets (l)			1.67			1.46			
Net yield on interest-earning assets excluding original issue discount (l)			1.94			2.26			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
(b) Average balances are calculated using a combination of monthly and daily average methodologies.
(c) Excludes income on equity investments of $5 million during the three months ended March 31, 2012 and 2011, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.
(e) Includes gains on sale of $54 million and $120 million during the three months ended March 31, 2012 and 2011, respectively. Excluding these gains on sale, the annualized yield would be 8.04% and 12.01% at March 31, 2012 and 2011, respectively.
(f) Includes the effects of derivative financial instruments designated as hedges.
(g) Average balance includes $2,062 million and $3,000 million related to original issue discount at March 31, 2012 and 2011, respectively. Interest expense includes original issue discount amortization of $108 million and $299 million during the three months ended March 31, 2012 and 2011, respectively.
(h) Excluding original issue discount the rate on long-term debt was 4.59% and 4.99% at March 31, 2012 and 2011, respectively.
(i) Excluding original issue discount the rate on total interest-bearing liabilities was 3.68% and 4.09% at March 31, 2012 and 2011, respectively.
(j) Excluding original issue discount the rate on total funding sources was 3.63% and 4.03% at March 31, 2012 and 2011, respectively.
(k) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
(l) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors (GM), and Ally and Chrysler; the profitability and financial condition of GM and Chrysler; securing low-cost funding for us and Residential Capital, LLC (ResCap); our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to; any impact resulting from delayed foreclosure sales or related matters; the potential for legal liability resulting from claims related to the sale of private-label mortgage-backed securities; risks related to potential repurchase obligations due to alleged breaches of representations and warranties in mortgage securitization transactions; changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate; continued challenges in the residential mortgage markets; the continuing negative impact on ResCap and our mortgage business generally due to the recent decline in the U.S. housing market; uncertainty of our ability to enter into transactions or execute strategic alternatives to realize the value of our ResCap operations; the potential for deterioration in the residual value of off-lease vehicles; disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of Ally, ResCap, Chrysler, or GM; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies, and similar organizations (including as a result of the Dodd-Frank Act).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk section of Item 2, Management's Discussion and Analysis.

Controls and Procedures

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 24 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 31 to our 2011 Annual Report on Form 10-K.

Item 1A. Risk Factors

Other than with respect to the risk factor provided below, there have been no material changes to the Risk Factors described in our 2011 Annual Report on Form 10-K.

Risks Related to Our Business

There is substantial doubt about ResCap's ability to continue as a going concern, and ResCap is actively considering reorganization under bankruptcy laws.

ResCap may not be able to meet its debt service obligations. ResCap did not make a $20 million semi-annual interest payment that was due on April 17, 2012, related to $473 million of unsecured debt principal, which matures in 2013. Further, ResCap was in default on certain of its financial covenants as of December 31, 2011, due to insufficient equity levels, and it is possible that further defaults could occur in the future due to insufficient capital or liquidity.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support. While Ally has agreed to extend the maturity date for certain existing intercompany facilities on a short-term basis until May 14, 2012, there can be no assurance that Ally or its affiliates will continue any such support or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful.

ResCap is actively considering reorganization under bankruptcy laws. If this were to occur, we could incur significant charges, substantial litigation could result, and repayment of our credit exposure to ResCap could be at risk. We currently estimate a range of reasonably possible losses arising at the time of a ResCap bankruptcy filing, including our investment in ResCap, to be between $400 million and $1.25 billion. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 27th day of April, 2012.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of Finance and Corporate Planning

/s/ DAVID J. DEBRUNNER

David J. DeBrunner
Vice President, Chief Accounting Officer, and Corporate Controller

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INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10	Consent Judgment, dated March 12, 2012	Filed Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 14, 2012 (File No. 1-3754), incorporated herein by reference.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.

Exhibit 12

Ally Financial Inc.

Ratio of Earnings to Fixed Charges

	Three months ended March 31,	Year ended December 31,				
($ in millions)	2012 (a)	2011 (a)	2010 (a)	2009 (a)	2008 (a)	2007 (a)
Earnings						
Consolidated net income (loss) from continuing operations	302	(112)	986	(6,983)	4,863	(1,950)
Income tax expense (benefit) from continuing operations	64	179	153	74	(150)	477
Equity-method investee distribution	—	—	—	—	111	65
Equity-method investee (earnings) losses	(29)	(87)	(57)	(10)	533	5
Minority interest expense	—	1	1	1	1	2
Consolidated income (loss) from continuing operations before income taxes, minority interest, and income or loss from equity investees	337	(19)	1,083	(6,918)	5,358	(1,401)
Fixed charges	1,419	6,298	6,743	7,017	10,041	13,592
Earnings available for fixed charges	1,756	6,279	7,826	99	15,399	12,191
Fixed charges						
Interest, discount, and issuance expense on debt	1,411	6,266	6,712	6,984	9,991	13,533
Portion of rentals representative of the interest factor	8	32	31	33	50	59
Total fixed charges	1,419	6,298	6,743	7,017	10,041	13,592
Preferred dividend requirements (b)	243	763	2,149	1,224	—	192
Total fixed charges and preferred dividend requirements	1,662	7,061	8,892	8,241	10,041	13,784
Ratio of earning to fixed charges (c)	1.24	0.99	1.16	0.01	1.53	0.90
Ratio of earnings to fixed charges and preferred dividend requirements (d)	1.06	0.89	0.88	0.01	1.53	0.88

(a) During 2011, 2010, and 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.

(b) Amount for 2010 includes a $616 million reduction to retained earnings (accumulated deficit) related to a conversion of preferred stock and related amendment that occurred on December 30, 2010.

(c) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2009, and 2007. Earnings for the years ended December 31, 2011, 2009, and 2007 were inadequate to cover fixed charges. The deficient amounts for the ratio were $19 million, $6,918 million, and $1,401 million for the years ended December 31, 2011, 2009, and 2007, respectively.

(d) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2010, 2009, and 2007. Earnings for the years ended December 31, 2011, 2010, 2009, and 2007 were inadequate to cover total fixed charges and preferred dividend requirements. The deficient amounts for the ratio were $782 million , $1,066 million , $8,142 million , and $1,593 million for the years ended December 31, 2011, 2010, 2009, and 2007, respectively.

Exhibit 31.1

Ally Financial Inc.

I, Michael A. Carpenter, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2012

/ S/ M ICHAEL A. C ARPENTER

Michael A. Carpenter
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2012

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of
Finance and Corporate Planning

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ M ICHAEL A. C ARPENTER

Michael A. Carpenter
Chief Executive Officer
April 27, 2012

/ S/ J EFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of
Finance and Corporate Planning
April 27, 2012

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.